STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

HOUSE OF
REPRESENTATIVES

ROBERT L. BURNS
    CHAIRMAN 2008
PAULA ABOUD
AMANDA AGUIRRE
JAKE FLAKE
JORGE LUIS GARCIA
JACK W. HARPER
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

RUSSELL K. PEARCE
    CHAIRMAN 2007
KIRK ADAMS
ANDY BIGGS
TOM BOONE
OLIVIA CAJERO BEDFORD
LINDA J. LOPEZ
PETE RIOS
STEVE YARBROUGH

* * R E V I S E D * *

JOINT LEGISLATIVE BUDGET COMMITTEE
Thursday, September 20, 2007
9:30 a.m.
House Hearing Room 4

MEETING NOTICE

-     Call to Order

-     Approval of Minutes of August 16, 2007.

-     DIRECTOR'S REPORT (if necessary).

1.   DEPARTMENT OF ECONOMIC SECURITY
   A.   Review of Long Term Care Capitation Rate Changes.
   B.   Review of Expenditure Plan for Adoption Services - Family Preservation Projects.

2.   DEPARTMENT OF EDUCATION - Review of Draft Request for Proposals for eLearning Pilot Program.

3.   ~~JLBC STAFF - Consider Approval of Index for School Facilities Board Construction Costs.~~

4.   ARIZONA BOARD OF REGENTS - Review of FY 2008 Tuition Revenues.

5.   ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Progress Report.

6.   **DEPARTMENT OF EDUCATION - Review of Research Based Models of Structured English Immersion for English Language Learners.**

The Chairman reserves the right to set the order of the agenda.
9/19/07

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

August 16, 2007

The Chairman called the meeting to order at 9:40 a.m., Thursday, August 16, 2007, in House Hearing Room 4. The following were present:

Members:	Representative Pearce, Chairman	Senator Burns, Vice-Chairman
	Representative Adams	Senator Aguirre
	Representative Biggs	Senator Flake
	Representative Boone	Senator Garcia
	Representative Cajero Bedford	Senator Harper
	Representative Lopez	Senator Verschoor
	Representative Rios	
	Representative Yarbrough	
Absent:		Senator Aboud
		Senator Waring

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of July 19, 2007, Chairman Pearce stated that the minutes would be adopted.

ATTORNEY GENERAL (AG)

A.   Review of Allocation of Settlement Monies - State v. Purdue Pharma L.P., et al.

Ms. Leah Ruggieri, JLBC Staff, stated that a footnote in the General Appropriation Act requires JLBC review of the allocation or expenditure plan for settlement monies over $100,000 received by the AG or any other person on behalf of the State of Arizona. The AG provided a response to the Chairman's request from the June 19, 2007 meeting for an estimate of the costs incurred during the litigation. The AG will receive $717,500 as a result of the settlement. Based on hourly rates awarded by the courts for attorney time, total costs incurred by the AG would be no greater than $28,000.

Discussion ensued on this item.

Ms. Jennifer Boucek, Section Chief of Consumer Protection and Advocacy for AG, responded to member questions.

Representative Biggs requested the AG to report back to him the actual amount AHCCCS received from the settlement and the date that occurred.

Senator Burns moved that the Committee give a favorable review to the Attorney General's allocation of settlement monies. The motion carried.

B.   Review of Allocation of Settlement Monies - State v. Warner Chilcott.

Ms. Leah Ruggieri, JLBC Staff, stated that a footnote in the General Appropriation Act requires that the JLBC review the allocation or expenditure plan for settlement monies over $100,000 received by the AG or any other person on behalf of the State of Arizona. The AG will receive $128,000 as a result of the Warner Chilcott settlement. The actual cost of the litigation is estimated to be no greater than $33,000.

Senator Burns moved that the Committee give a favorable review to the Attorney General's allocation of settlement monies. The motion carried.

DEPARTMENT OF HEALTH SERVICES (DHS)

A.   Review of Behavioral Health Title XIX Capitation Rate Changes.

Ms. Jenna Goad, JLBC Staff, stated that a footnote in the General Appropriation Act requires DHS to present its plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs. Capitation rates are the flat monthly payments made to managed-care health plans for each Title XIX recipient. DHS requested review of rate changes for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI), and General Mental Health/Substance Abuse (GMH/SA) Title XIX rates.

Discussion ensued on this item.

Mr. Eddy Broadway, Deputy Director for DHS, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the DHS capitation rate adjustments with the following 2 provisions: 1) administrative costs remain within the FY 2008 budgeted levels; and 2) any capitation rate savings is reverted and not transferred for program expansions. The motion carried.

The Chairman requested DHS provide any documents presented to the Legislature during session that noted there would be a multi-year approach to funding the 1:15 ratio.

B.   Review of Children's Rehabilitative Services Capitation Rate Changes.

Ms. Amy Upston, JLBC Staff, stated that a footnote in the General Appropriation Act requires DHS to present an expenditure plan to the Committee for its review prior to implementing any change in capitation rates for the AHCCCS Children's Rehabilitative Services (CRS) program.

Discussion ensued on this item.

Senator Burns moved that the Committee give a favorable review to the DHS CRS capitation adjustments with the following 2 provisions: 1) administrative costs remain within the FY 2008 budgeted levels; and 2) any capitation rate savings be reverted and not transferred for program expansions.   The motion carried.

C.   Review of the Contract Compliance Special Line Item Expenditure Plan

Mr. Matt Busby, JLBC Staff, stated that a footnote in the General Appropriation Act requires Committee review of the DHS proposed expenditure plan for the Contract Compliance special line item. Of the total, $2.5 million and 15 FTE Positions were appropriated from the General Fund. The remaining $4.8 million and 29 FTE Positions are from Federal Title XIX Expenditure Authority. The Contract Compliance SLI was created in the FY 2008 budget. The purpose of the funding is to improve contract monitoring and compliance among the Regional Behavioral Health Authorities (RBHAs) and to ensure that DHS is meeting its obligations in both the *Arnold v. Sarn* and *JK v. Gerard* lawsuits.

Discussion ensued on this item.

Ms. Susan Gerard, Director of DHS, and Mr. Eddy Broadway, Deputy Director for DHS responded to member questions.

Senator Burns moved that the Committee give a favorable review of the DHS $7,300,000 expenditure plan for Contract Compliance with the following two provisions: 1) The favorable review does not constitute an endorsement of General Fund

support to expand the program in the future; and 2) DHS proceed with hiring no more than 44 of the 73 positions as this was the amount appropriated in the FY 2008 General Appropriation Act. The motion carried.

A review of the remaining 29 positions will occur after the department submits additional information as follows: 1) An explanation of how the particular staffing levels were derived, especially for the main categories of activities. This explanation should include any quantitative workload measures used to determine the department's proposed staffing levels. 2) More specific information on how the $1,000,000 for indirect costs would be used; and 3) The performance measures selected to assess the effectiveness of additional staff in resolving their litigation.

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM).

Ms. Kimberly Cordes-Sween, JLBC Staff, stated that a footnote in the General Appropriation Act (Laws 2007, Chapter 255) requires Committee review of the DPS quarterly expenditure plan for GIITEM appropriations prior to expenditure. *Attachment A* was distributed to the Committee on the local and non-DPS GIITEM spending.

Discussion ensued on this item.

Mr. Phil Case, DPS Comptroller, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the DPS expenditure plan with the provision that DPS reduce the Pima County Sheriff's Office (PCSO) initiative to $1,319,800 and 11 positions which includes 1 lieutenant, 1 sergeant, 8 deputies, and 1 analyst, as well as equipment and other operating expenses. If the 11 PCSO positions are filled and if established performance objectives are met by January 1, 2008, DPS shall notify the Committee. DPS will report back to the Committee on the establishment of performance measures for the PCSO as part of its quarterly GIITEM report due October 30, 2007. The Committee also requested that in the future DPS expenditure plans include the total annualized cost for all requested DPS or local personnel. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DPS)

A.   Review of Proposed Implementation of Developmental Disabilities Provider Rate Increase.

Mr. Jay Chilton, JLBC Staff, stated that a footnote in the General Appropriation Act requires JLBC to review the implementation plan for distributing a developmental disabilities provider rate increase totaling $7.0 million General Fund and $18.6 million total funds.

Senator Burns moved that the Committee give a favorable review of the implementation plan. The motion carried.

B.   **Review of FY 2008 Expenditure Plan for Workforce Investment Act Monies.**

Mr. Jay Chilton, JLBC Staff, stated that a footnote in the General Appropriation Act requires the JLBC to review the expenditure plan prior to DES expending monies from the $2.9 million discretionary portion of federal Workforce Investment Act Special Line Item. All $2.9 million is for core functions of the WIA monies. The primary change is an increase of $800,000 for the Local One Stop System Offices. These offices provide job placement and career training services as well as access to some government services. This increase is for replacement equipment due to the age of servers and software used for the virtual one stop system.

Senator Burns moved that the Committee give a favorable review of DES' expenditure plan. The motion carried.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY (GITA) - Review of Web Portal Contract.

Mr. Dan Hunting, JLBC Staff, stated that the General Appropriation Act (Laws 2007, Chapter 259) requires the Committee to review the fiscal provisions of any new web portal contract after it is executed, but before it is implemented by GITA. This web portal also known as Arizona @ Your Service is accessed through the state's Web site and works with state agencies to provide electronic delivery of government services and information. Under a contract with the prior vendor, the web portal generates over $5 million annually, primarily through the sale of motor vehicle records to commercial customers.

Under the old contract, this revenue was deposited in the contractor's private account and was retained by the contractor unless used for other web portal projects. In order to give the state greater control over the web portal revenue stream, Laws

2006, Chapter 346 created the Web Portal Fund as an appropriated fund and required that revenue from any web portal contract be deposited in the fund. On June 27, 2007, a new 3-year contract was awarded to NIC, Inc, which will take over operation of the web portal on October 8, 2007.

Discussion ensued on this item.

Mr. D.J. Harper, Legislative Liaison for GITA, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the contract with the provision that GITA provide a list of discretionary projects and activities to the JLBC Staff by October 15, 2007. The motion carried.

ADMINISTRATIVE OFFICE OF THE COURTS (AOC) - Review of Reimbursement of Appropriated Funds.

Mr. Lorenzo Martinez, JLBC Staff, stated that a footnote in the General Appropriation Act (Laws 2007, Chapter 255) requires the Joint Legislative Budget Committee to review the expenditure of reimbursements received by the Administrative Office of the Courts. These reimbursements consist of monies received by AOC for services provided to local courts and their personnel. A.R.S. § 35-142.01 states that if an agency receives a reimbursement from federal or other sources, that agency is permitted to retain and expend those monies as long as the agency director determines that they are necessary for the agency's operation. The agency director must also determine that the Legislature did not specifically consider and reject such reimbursement during the agency's original budget appropriation.

Senator Burns moved that the Committee give a favorable review to the use of $3,784,500 in projected reimbursements. The motion carried.

ARIZONA STATE RETIREMENT SYSTEM (ASRS) - Review of FY 2008 Information Technology Expenditure Plan.

Mr. Eric Jorgensen, JLBC Staff, stated that a General Appropriation Act footnote requires the Committee to review the yearly expenditure plan for the ASRS Information Technology (IT) plan prior to expenditure. ASRS was appropriated $2,818,500 for FY 2008 for operating expenses associated with upgrades to the information technology system. The plan is within budget and in line with expenditures outlined in the Project and Investment document approved by the Information Technology Authorization Committee.

Senator Burns moved that the Committee give a favorable review of the FY 2008 ASRS IT expenditure plan. The Committee also requested that ASRS continue to give semi-annual progress reports on the project status, with the next report due by December 31, 2007. The motion carried.

Without objection, the meeting adjourned at 11:40 a.m.

Respectfully submitted:

_____
Sandy Schumacher, Secretary

_____
Richard Stavneak, Director

_____
Representative Russell Pearce, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.

Local/Non-DPS GIITEM Spending		
August DPS Proposal	Local **Personnel**	**Total Funding**
Pima County Sheriff	20	$2,259,700
AZ Fraudulent ID Task Force (AFIT)	14	1,858,700
Border County Officers	10	1,353,800
Detention Liaison Officers	15	743,700
Additional Facilities Costs	0	699,800
August Total	59	$6,915,700
Favorably Reviewed in FY 2007		
Phoenix/ICE Agreement	7	$1,918,700
Maricopa County Sheriff	15	1,591,900
GangNet/License Plate Readers	0	1,000,000
Border Patrol Agents	10	729,300
Specialty Equipment/Armored Vehicle	0	540,000
Technology	0	537,000
	32	$6,316,900
LOCAL/NON-DPS TOTAL	91	$13,232,600

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

ROBERT L. BURNS
       CHAIRMAN 2008
PAULA ABOUD
AMANDA AGUIRRE
JAKE FLAKE
JORGE LUIS GARCIA
JACK W. HARPER
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
       CHAIRMAN 2007
KIRK ADAMS
ANDY BIGGS
TOM BOONE
OLIVIA CAJERO BEDFORD
LINDA J. LOPEZ
PETE RIOS
STEVE YARBROUGH

R E V I S E D

DATE: September 19, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Fiscal Analyst

SUBJECT: Department of Economic Security - Review of Long Term Care Capitation Rate Changes

Request

This memo has been updated for a revised capitation rate plan received by JLBC Staff on September 13, 2007. Pursuant to a FY 2008 General Appropriation Act footnote, the Department of Economic Security (DES) is presenting its expenditure plan for proposed capitation rate adjustments in the federal Title XIX Long Term Care (LTC) program. Capitation rates are a fixed amount paid for every person in the Developmentally Disabled Long Term Care Program. The proposed capitation adjustments are related to medical inflation and utilization increases and other requirements, but do not reflect provider rate increases. The provider rate increases were addressed in a separate item at the August 16, 2007 Committee meeting.

Recommendation

The Committee has at least the following options:

1. A favorable review of DES' capitation rate changes with the provision that the favorable review does not constitute an endorsement of a supplemental request.

2. An unfavorable review due to the rate exceeding the budgeted amount by between $2.4 million and $4.4 million General Fund.

Analysis

DES uses actuarial staff at the Arizona Health Care Cost Containment System (AHCCCS) to determine their capitation rates. The actuaries use claims, encounter data, and projected enrollment to determine the actual costs of services and recommend changes in the capitation rates.

(Continued)

The revised per member per month (PMPM) rates are shown below.

Category	Current 1/1/0-6/30/07 Rate	New 7/1/07-6/30/08 Rate	% Change
Aid to Individuals	$2,480.76	$2,573.59	3.74%
Acute Care Services	348.42	381.67	9.54%
Case Management Services	144.53	157.83	9.20%
Administration	206.38	196.57	-4.75%
Risk/Profit	47.75	49.64	3.96%
Share of Cost	-2.98	-6.00	101.34%
Premium Tax	67.83	70.53	3.98%
Total - DES LTC	**$3,292.69**	**$3,423.83**	**3.98%**
Behavioral Health (DHS pass-through)	102.88	102.88	0.00%
Total Enrolled Rate	**$3,395.57**	**$3,556.71**	**3.86%**

All categories reflect increases for medical inflation and utilization. The increase in the Acute Care Services line also reflects 3 policy adjustments:

- The first is coverage of non-emergency dental services for adults, for which DES estimates the cost at $2.5 million Total Funds, or $10.50 PMPM. This would result in a General Fund cost of about $0.8 million, which is below the $1.0 million appropriated from the General Fund for this program.
- The second is coverage of the human papillomavirus (HPV) vaccine for women between the ages of 21 and 26. This cost is estimated at $0.2 million Total Funds, or $0.75 PMPM.
- The third is the federal requirement that AHCCCS cover the HPV vaccine for women under age 21. The cost of this service is estimated to be $0.1 million Total Funds, or $0.40 PMPM.

The total General Fund cost for both categories of HPV vaccine coverage is estimated at about $0.1 million. Monies for coverage of the HPV vaccine were included in the AHCCCS budget but were not included in the DES budget.

The increase in Aid to Individuals reflects adjustments for the state's newly implemented minimum wage increase, which was passed as Ballot Proposition 202 in the November 2006 election. Current Division of Developmental Disabilities (DDD) providers whose payments are below the new minimum wage would need to comply with the new minimum wage. The total dollar impact estimated by the DDD from the minimum wage provision is $0.3 million Total Funds, or $1.34 PMPM. The Share of Cost category reflects a pass-through to AHCCCS for its portion of the services and it was rebased for FY 2008.

In a February 2007 letter to the JLBC, DES estimated that the FY 2008 capitation rate increase would be between 3.5% and 6.5%. The proposed capitation rate represents an increase of 4%. The FY 2008 budget provided for 3% capitation rate growth and using a weighted average of ventilator-dependent and non-ventilator-dependent clients, estimated a capitation rate of $3,380.71.

As a result of DES' proposed capitation rate increase being higher, at 4%, than the capitation rate adjustment estimated in the budget, it would cause expenditures to be $3.4 million above the appropriated amount should caseloads remain at budgeted levels of 19,600 member years in FY 2008. DES, however, currently estimates FY 2008 caseloads at 19,523 member years, which would result in General Fund expenditures $2.4 million above the budgeted amount. Actual FY 2007 caseloads were higher than the estimated FY 2007 caseloads upon which the FY 2008 estimates for the budget were based. Applying the 5.4% increase used in the budget to the FY 2007 actual would result in an estimated FY 2008 caseload of 19,667. Such growth would result in General Fund expenditures of $4.4 million above the budgeted amount.

RS/JCh:ss
Attachment

SEP **1 2** 2007

RECEIVED
SEP **1 3** 2007
JOINT BUDGET
COMMITTEE

Mr. Richard Stavneak
Director, Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Stavneak:

The Department of Economic Security (DES) requests to be placed on the Joint Legislative Budget Committee's agenda for review of the Division of Developmental Disabilities' (DDD) fiscal year 2008 capitation rate pursuant to Laws 2007, Chapter 255 which includes the following footnote:

> The department shall report to the joint legislative budget committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than two per cent. Before implementation of any changes in capitation rates for the long-term care program, the department of economic security shall report for review the expenditure plan to the joint legislative budget committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of $500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the joint legislative budget committee.

In the fiscal year 2008 budget, the Legislature made two policy changes that have an impact to the capitation rate. The first is coverage of non-emergency dental services for adults, up to $1,000 per member. The second is coverage for the human papillomavirus vaccine for women between the ages of 21 and 26. The Arizona Health Care Cost Containment System (AHCCCS) has incorporated these changes into DDD's capitation rate and submitted this rate to the federal Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS)

for approval. This rate represents an $11.64 (0.3 percent) per member per month increase over the rate submitted to the Committee in an August 17, 2007 letter.

If you have any questions, please contact Stephen Pawlowski, Financial Services Administrator, at (602) 542-3786.

Sincerely,

Tracy L. Wareing
Director

Attachment

cc: Members of the Joint Legislative Budget Committee
        James Apperson, Director, Governor's Office of Strategic Planning and Budgeting

Arizona Health Care Cost Containment System (AHCCCS)

Department of Economic Security / Department of Developmental Disabilities

Updated Rates for HPV (21-26) and Adult Dental effective October 1, 2007 through June 30, 2008.

Ventilator and Non-Ventilator Dependent

	CYE08 PMPM	Legislation PMPM Changes	Updated Rate For Legislation Changes CYE08 PMPM	Effective Percentage Change from Current Rate
Aid To Individual Services				
Institutional Services	$ 118.87		$ 118.87	0.00%
Home and Community Based Services [1]	$ 2,454.72		$ 2,454.72	0.00%
Total Aid to Individual PMPM *(Institutional + HCBS)*	$ 2,573.59		$ 2,573.59	0.00%
Acute Care Services				
Acute Services [2]	$ 370.42		$ 370.42	
Adult Dental	$ -	$ 10.50	$ 10.50	
HPV Mandate (21-26)	$ -	$ 0.75	$ 0.75	
Total Acute Care Services [2]	$ 370.42		$ 381.67	3.04%
Case Management Services	$ 157.83		$ 157.83	0.00%
Administration	$ 196.57		$ 196.57	0.00%
Risk / Contingency	$ 49.48		$ 49.64	0.32%
Share of Cost	$ (6.00)		$ (6.00)	0.00%
Total DES/DDD Rate	$ 3,341.89		$ 3,353.30	0.34%
Total Behavioral Health Rate	$ 102.88		$ 102.88	0.00%
Premium Tax	$ 70.30		$ 70.53	0.33%
Grand Total DDD and Behavioral Health Rate	$ 3,515.07		$ 3,526.71	0.33%
Grand Total DES/DDD Rate	$ 3,412.19		$ 3,423.83	0.34%
Grand Total Behavioral Health Rate	$ 102.88		$ 102.88	0.00%

1) CYE08 "Base" Includes Minimum Wage Impact PMPM of $1.34

2) CYE08 "Base" Includes HPV for those under 21 Impact PMPM of $0.40

Janet Napolitano
Governor

Tracy L. Wareing
Director

AUG 1 7 2007

RECEIVED
AUG 1 7 2007
JOINT BUDGET
COMMITTEE

Mr. Richard Stavneak
Director, Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Stavneak:

The Department of Economic Security (DES) requests to be placed on the Joint Legislative Budget Committee's agenda for review of the Division of Developmental Disabilities' (DDD) fiscal year 2008 capitation rate pursuant to Laws 2007, Chapter 255 which includes the following footnote:

> The department shall report to the joint legislative budget committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than two per cent. Before implementation of any changes in capitation rates for the long-term care program, the department of economic security shall report for review the expenditure plan to the joint legislative budget committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of $500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the joint legislative budget committee.

The Arizona Health Care Cost Containment System's (AHCCCS) actuary staff develop the rate using inflation and trend analysis. AHCCCS and the Department also implemented the recommendations included in the actuarial audit performed by Lewis and Ellis, Inc. These suggestions included the elimination of a flat percentage of claims' expenditures to develop administrative expenses and improved tracking of share of cost collections from members. AHCCCS estimates that the implementations of these proposals resulted in savings of
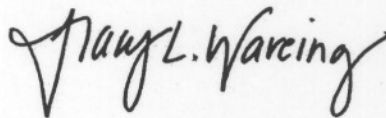
approximately $23 per member per month. The resulting rates were then submitted to the federal Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS). CMS has recently approved the AHCCCS proposed DDD capitation rates.

Due to the relatively small membership base, particularly of ventilator-dependent clients, AHCCCS combined the ventilator and non-ventilator populations. Comparing the rate in effect through June 30, 2007 (using a weighted average of the ventilator and non-ventilator rates for comparison purposes) and those that have been approved for state fiscal year 2008, the rate increased 3.6 percent from $3,292.69 to $3,412.19. The 3.6 percent growth is at the low end of the 3.5 to 6.5 percent estimate provided to the JLBC in February. More detailed breakdowns of the components of the capitation rate are attached.

If you have any questions, please contact Stephen Pawlowski, Financial Services Administrator, at (602) 542-3786.

Sincerely,

Tracy L. Wareing
Director

Attachment

cc: Members of the Joint Legislative Budget Committee
        James Apperson, Director, Governor's Office of Strategic Planning and Budgeting

Department of Economic Security /Division of Developmental Disabilities (DES/DDD) Actuarial Memorandum

I.   Purpose:

The purpose of this actuarial memorandum is to demonstrate that the capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

II.   Overview of Rate Setting Methodology:

The contract year ending 2008 (CYE08) rates were developed as a rate update from the previously approved contract year ending 2007 (CYE07) capitation rates and represent the contract period July 1, 2007 through June 30, 2008, which is twelve months. Since the Division of Developmental Disabilities (DDD) has a relatively small membership base, multiple years and sources of data were used to increase the statistical credibility.

AHCCCS used limited DDD encounter data due to system conversion issues at DDD which are currently being fixed. In situations where it is reasonable to assume that some encounter data was missing, the missing encounter data was imputed based on audited financial data and historical encounter data. If a large quantity of encounter data was missing, financial data was used. Smoothing methods were applied to the audited financial and historical encounter data. No other adjustments were made.

Ideally, the experience data should be analyzed by different rate cells which are comprised of members with similar risk characteristics. However, segregating the DDD population into different rate cells would lead to a statistical credibility problem due to the statewide disbursement of the relatively small membership base. For CYE08, the Arizona Health Care Cost Containment System (AHCCCS) rolled the ventilator dependent population into the regular non-ventilator dependent population. Therefore, DDD will have two separate rates – a regular DDD rate and a Behavioral Health rate.

The experience only includes DDD Medicaid eligible expenses for DDD Medicaid eligible individuals. In addition, the experience includes reinsurance amounts and share of cost. Additional payments are given for HIV/AIDS members.

The contract between AHCCCS and DDD specifies that DDD may cover services for members that are not covered under the State Plan; however those services are not included when setting capitation rates. AHCCCS has performed an analysis of uncovered services in the Acute and ALTCS programs and the estimated impact is less than 0.01%, which would not materially impact the final rates.

The general process involves trending the CYE07 capitation rates to the midpoint of the effective period, which is January 1, 2008. The next step involves actuarial pricing adjustments, program changes and share of cost offset. In the final step, the projected administrative expenses, risk/contingency margin and premium tax are added to the projected claim PMPMs to obtain the capitation rates. Each step is described in the sections below.

III. Projected Trend Rates

The trend analysis for the institutional and home and community based services (HCBS) includes financial data from the quarter ending September 2003 through the quarter ending June 2006. As previously stated, AHCCCS used limited DDD encounter data due to system conversion issues at DDD which are currently being fixed. The acute and behavioral health categories includes both financial data experience and sub-contractor encounter data experience from the quarter ending September 2003 through the quarter ending June 2006. The financial data trends were examined using both year over year and quarterly regression analysis. The encounter data trends were examined using monthly regression analysis, quarterly regression analysis and year over year data. The resulting trend rates were compared with trend rates from sources such as the CMS National Health Expenditures Trend Forecast, the AHCCCS Acute Care trend rates and the AHCCCS ALTCS EPD trend rates. The final trends rates were selected based on a methodological blend of actuarial judgment and empirical methods.

The case management trend was developed using the AHCCCS case management model. The main driver to the case management trend rate is state legislation mandating the case manager-to-member ratio decrease from 1:40 to 1:35 for new members entering the program.

The Average Annual Trend Rates used in projecting the claim costs are identified in Table I.

Table I: Average Annual Trend Rate

Service Category	Average Annual Trend	
	DDD Rate	Behavioral Health
Institutional	0.07%	N/A
HCBS	3.87%	N/A
Acute Care	6.32%	N/A
Case Management	9.20%	N/A
Behavioral Health	N/A	0.00%

IV. Projected Gross Claim PMPM

The CYE07 rates reflect the 12-month period of July 1, 2006, through June 30, 2007; therefore, the midpoint of the CYE07 rate period is January 1, 2007. The contract period for CYE08 rates is July 1, 2007 through June 30, 2008, so the midpoint is January 1, 2008. The claims PMPMs were trended from the midpoint of the CYE07 rate period to the midpoint of the CYE08 rate period.

V. Mandates and Court Ordered Programs

The provider rate increase that was passed by the Arizona State Legislature, during the 2006 legislative session, was included in the CYE07 rates retroactive to July 1, 2006. Since this program has already been accounted for in the CYE07 home and community based rates, it was not necessary to include it as a program change for the CYE08 rates.

Federal law requires that AHCCCS cover the human papillomavirus (HPV) vaccine, as part of the EPSDT benefit package, for all females age 20 and under. The cost to DDD to provide this service is estimated to be $93,709 or $0.40 PMPM. This has been added to DDD's capitation rates.

Effective January 1, 2007 the state implemented the increase in minimum wage passed by voters on the November 2006 ballot. This minimum wage act increases the minimum wage from $5.15 per hour to $6.75 per hour. The minimum wage shall be increased every January 1st by the increase in the cost of living. Current DDD providers whose payments are below the new minimum wage must be raised to the minimum wage. The total dollar impact estimated by DDD is $313,420.71 or $1.34 PMPM. This PMPM impact has been included in DDD's CYE08 capitation rates.

The state Legislature is currently negotiating the state fiscal year 2008 budget, which will be implemented effective July 1, 2007. Among those negotiations are discussions to add non-emergency dental services for adults on long-term care, make changes to the inpatient outlier calculation, and add coverage for the HPV vaccine for women aged 21-26 years old. These items may be approved and would likely be implemented effective October 1, 2007. Upon successful passage, AHCCCS will submit revised capitation rates to CMS for approval.

VI. Projected Net Claim PMPM

The projected gross claim PMPMs were adjusted for the recipients' share of cost to obtain the net claim PMPM. The share of cost is $6.00 or 0.2% of the gross DDD claim PMPM. The share of cost was estimated based off of actual DDD SOC data, and was rebased for CYE08. NOTE: Reinsurance offset is included in the acute care component of the DDD rates. The projected net claim PMPMs are included in Table II.

Table II: Projected Net Claim PMPM

Service Category	Projected CYE08 Claims Cost PMPM	
	DDD Rates	Behavioral Health
Institutional	$ 118.87	N/A
HCBS [1]	$ 2,454.72	N/A
Acute Care [2]	$ 370.42	N/A
Case Management	$ 157.83	N/A
Behavioral Health	N/A	$ 94.56
Total	$ 3,101.84	$ 94.56
Less Share of Cost	$ (6.00)	N/A
Net Claim Cost	$ 3,095.84	$ 94.56

1) Includes the impact of Minimum Wage Act
2) Includes the impact of HPV Under 21

VII. Administrative Expenses and Risk Contingency

For CYE08 AHCCCS performed an administrative expense study. This study included analysis of DDD's financials, and actual, budgeted and projected DDD administration expenses that were provided by DDD. The CY08 Administrative expense for DDD is $196.57. The risk contingency for DDD is 1.5% of the total capitation rate. The Behavioral Health administrative expenses include 3.3% for Arizona Department of Health Services/Division of Behavioral Health Services (ADHS/DBHS) administration load and 4.0% for Regional Behavioral Health Authorities (RBHAs) administrative load. The Behavioral Health risk contingency is 1.5%. Table III displays the projected administrative/risk contingency PMPM.

Table III: Projected Administrative Expenses and Risk Contingency

Rate Cell	CYE08 Admin Expenses	CYE08 Risk Contingency
DDD	$ 196.57	$ 49.48
Behavioral Health	$ 6.90	$ 1.42

VIII. HIV/AIDS Supplemental Payment

Based upon recent cost and encounter data, no change to the current HIV/AIDS supplemental payment ($1,051.86) is recommended for CYE08.

IX. Proposed Capitation Rates and Their Impacts

The proposed capitation rates equal the sum of the projected net claim PMPM (in Section VI) and the projected administrative expenses and risk contingency PMPM (in section VII), divided by one minus the two percent premium tax. The premium tax for the behavioral health component is included in the DDD capitation rate. Table IV shows the current and proposed capitation rates and the budget impact from CYE07 to CYE08 using CYE08 projected members.

Table IV: Proposed Capitation Rates and Budget Impact

Rate Cell	Projected CYE 08 Member Months	CYE 07 Rate	CYE 08 Rate	Based on Projected CYE08 Member Months	
				Estimated CYE 07 Capitation	Estimated CYE 08 Capitation
Non-Vent	232,848	$ 3,237.70	$ 3,412.19	$ 753,892,210	$ 794,521,570
Vent	1,426	$ 12,272.49	$ 3,412.19	$ 17,496,743	$ 4,864,720
DDD Combined	234,274	$ 3,292.69	$ 3,412.19	$ 771,388,953	$ 799,386,290
BH	234,274	$ 102.88	$ 102.88	$ 24,102,073	$ 24,102,073
HIV/AIDs	60	$ 1,051.86	$ 1,051.86	$ 63,112	$ 63,112
Total				$ 795,491,026	$ 823,488,363
Total Dollar Impact					$ 27,997,337
Estimated Annualized Percentage Impact					3.52%

Vent and Non-Vent Rates reflect full premium tax
BH does not reflect premium tax

X.   CMS Rate Setting Checklist

1. Overview of rate setting methodology

A.A.1.0: Overview of rate setting methodology

AHCCCS is performing a rate update from the previously approved contract year ending 2007 (CYE07) under 42 CFR 438.6(c). Please refer to Section II.

AA.1.1: Actuarial certification

Please refer to Section XI.

AA.1.2: Projection of expenditure

Please refer to Section IX.

AA.1.3: Procurement, prior approval and rate setting

This is a sole source contracting method, between AHCCCS and DES/DDD.

AA.1.5: Risk contract

There is no risk sharing between AHCCCS and DES/DDD, in addition to the reinsurance contract. DES/DDD is responsible for all losses, except reinsurance and share of cost.

AA.1.6: Limit on payment to other providers

AHCCCS makes no additional payments to providers, except supplemental payments to hospitals including Disproportionate Share Hospital (DSH) payments, Graduate Medical Education (GME) payments, and Critical Access Hospital payments. GME is paid in accordance with state plan. DSH and Critical Access are paid in accordance with operational protocol.

AA.1.7: Rate modification

Please refer to Sections III and V.

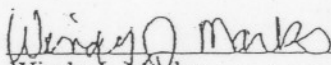## XI. Actuarial Certification of the Capitation Rates:

I, Windy J. Marks, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The rates were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The rates are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The rates may not be appropriate for any other purpose. The documentation has been included with this certification. The actuarially sound capitation rates that are associated with this certification are effective for the twelve-month period beginning July 1, 2007.

The actuarially sound capitation rates are a projection of future events. It may be expected that actual experience will vary from the values in the rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by DES/DDD and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the DES/DDD auditors and other AHCCCS employees for the accuracy of the data.

This actuarial certification has been based on the actuarial methods, considerations, and analyses promulgated from time to time through the Actuarial Standards of Practice by the Actuarial Standards Board.

(signature) Windy J. Marks   05/15/07
Windy J. Marks   Date

Member, American Academy of Actuaries

STATE OF ARIZONA

Joint Legislative Budget Committee

DATE: September 13, 2007

TO: Representative Russell Pearce, Chairman
             Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Fiscal Analyst

SUBJECT: Department of Economic Security – Review of Expenditure Plan for Adoption Services -
             Family Preservation Projects

Request

Pursuant to a footnote in the FY 2008 General Appropriation Act (Laws 2007, Chapter 255), the
Department of Economic Security (DES) has submitted to the Committee a request for review of the
expenditure of $1,000,000 for Adoption Subsidy Family Preservation Projects.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review as the broad purposes of the plan are consistent with legislative intent
2. An unfavorable review as the department has not submitted details regarding the specifics of their
    expenditure plan

During FY 2007 DES submitted a plan to expend $607,400 in FY 2007 and $1,762,400 in FY 2008. The
appropriation in both years was $1,000,000. At its December 18, 2006 meeting, the Committee favorably
reviewed that plan with the provision that DES restructure the expenditure plan to remain within the
$1,000,000 appropriation in FY 2008 and future years if the appropriations were to continue. DES staff
has indicated via email that they will reduce expenditures to remain within the appropriated amount, with
reductions primarily in adoption transition and post-adoption support services. Specifics on how this will
be done have not been provided.

Analysis

In the FY 2006 budget, the Legislature appropriated $1,000,000 from the Federal Temporary Assistance
for Needy Families (TANF) Block Grant to DES for a new effort to promote and maintain adoption as a
permanent option for children in the Child Protective Services (CPS) system. At the same time, JLCAP
was created and charged with providing recommendations to DES on the most effective expenditure of

(Continued)

the appropriated funds. A footnote required DES to consider any recommendations provided by JLCAP in an expenditure plan to be reviewed by the Joint Legislative Budget Committee. JLCAP did not provide spending recommendations in FY 2006 and the monies were reverted to the TANF Block Grant.

In FY 2007, monies were again appropriated with the same conditions. JLCAP met on November 29, 2006 to make spending recommendations. DES presented 2 funding initiatives to JLCAP.

The first initiative was increased resources for intake and recruitment of adoptive homes. DES reported that these resources would cost $167,500 in FY 2007 and $305,100 annualized in FY 2008. DES requested 2 additional FTE Positions for the adoption call center (currently staffed with 1 FTE Position), 1 FTE Position to re-engage parents who leave the system, and 1 FTE Position for Native American home recruitment. Additionally, DES would contract for training and consulting services to help create and maintain effective relationships with foster and adoptive families. The requested resources also included a family tracking database and a one-time upgrade to the call center telephone equipment.

The second initiative presented was increased support services for adoptive families. The cost of these initiatives was $439,800 in FY 2007 and $1,457,300 annualized in FY 2008. DES categorized this issue into 3 components that were then prioritized by JLCAP. The committee's first priority was to establish a crisis response line and provide crisis intervention to adoptive families. The second priority was to contract with specialized adoption therapists to help transition adopted children and their adoptive families. The last component was post-adoption support in the form of addressing extraordinary needs of adoptive families to prevent dissolution, continuing education and training, and support groups for the adoptive parents.

The total cost for both initiatives in FY 2007 was $607,300. The cost of annualizing these programs in FY 2008, however, was expected to be $1,762,400 or $762,400 above the FY 2008 appropriation. JLCAP adopted those initiatives as their recommended uses of the appropriated funds. At its December 18, 2006 meeting, the JLBC gave a favorable review to the expenditure plan with the provision that the plan be restructured according to the priorities of JLCAP in order to remain within the $1,000,000 appropriation for FY 2008.

JLCAP has not yet met in FY 2008. DES states in its letter to the JLBC dated July 31, 2007 that it is continuing to implement the programs and the expenditure plan previously recommended by JLCAP and reviewed by the JLBC. DES has not, however, indicated how it plans to restructure the expenditure plan to remain within the $1,000,000 appropriation.

The budget footnote also requires that DES report performance measures to gauge the program's success. In its most recent letter, DES submitted data for performance measures based on activity and services from January through June 2007. Some of the performance measures are detailed below:

- There were 1,454 calls to the 1-877 KIDSNEEDU information line, and 71% of the calls were answered immediately. The remaining 295 calls were switched to voicemail; and of those calls, 51% were returned within 2 hours.
- Twenty-three families received family transition and support crisis response services and 187 children were referred for transition counseling and therapeutic services. Of the 187, 93% of them remained in their adoptive placement.
- The department received 26 requests for support resources. Of these requests, 13 were approved, 5 were referred to other resources available to provide the service, 7 are currently in the approval process, and 1 was denied, as it did not meet the funding criteria. Seven families were contacted specifically for feedback and all responded that the service was beneficial to the child and family.

RS/JCh:ss

Janet Napolitano
Governor

Tracy L. Wareing
Director

JUL **3 1** 2007

RECEIVED
AUG **1 4** 2007
JOINT BUDGET
COMMITTEE

Mr. Richard Stavneak
Director, Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Stavneak:

Laws 2007, Chapter 255, section 28 includes the following footnote:

> It is the intent of the legislature that the $1,000,000 appropriated to the adoption services - family preservation projects line item be used to promote adoption as an option for children, including but not limited to promoting the agency's adoption program and temporary adoption subsidy payment increases to current adoption subsidy clients. The department shall report the intended use of these monies for review by the joint legislative budget committee by August 1 of each year. The report shall include an evaluation of the most effective means of expending these funds and performance measures to gauge the program's success. The report shall reflect the recommendations of any statutory committee established to provide recommendations on this appropriation.

The footnote requires that the Department's report reflect the recommendations of the Joint Legislative Committee on Adoption Promotion established by Laws 2005, Chapter 328, Section 3. The Committee, co-chaired by Senator John Huppenthal and Representative Rick Murphy, has not yet met to make recommendations on the fiscal year 2008 appropriation. At this time, the Department is continuing to implement the programs and expenditure plan previously recommended by the Joint Legislative Committee on Adoption Promotion at its November 29, 2006 meeting and favorably reviewed by the Joint Legislative Budget Committee at its December 18, 2006 meeting.

This plan provides for the expansion and enhancement of operations of the 1-(877) KIDSNEEDU home recruitment information and resource line, the development of a database to track inquiries from current and prospective adoptive parents, the provision of specialized training for staff working with prospective adoptive parents, the hiring of one staff person to provide constituent support, and the hiring of one staff person to recruit Native American homes.

The plan also addressed adoption transition and preservation and included crisis intervention services, individual and family counseling with specialized adoption therapists, and special services such as tutoring or specialized items or products to support adoption transition and preservation of adoptive families.

Since approval of this plan, significant progress has been made. A database has been developed to enhance the Department's ability to track families and to better ascertain how families are referred to the 1-(877) KIDSNEEDU recruitment and information line. Phone technology has been upgraded to allow calls to roll over to the next available recruitment response staff and to provide for greater sophistication of call monitoring and tracking. Specialized training was provided by a national expert to staff working with prospective adoptive and foster parents.

Additionally, meetings were held with adoption subsidy staff and managers to inform them about the development of transition counseling services, crisis response services and support resources for adoptive children and families. A request form and an approval letter were developed and a process was established for reviewing requests for resources.

On January 20, 2007, the Department submitted eight performance measures to JLBC. These performance measures related to the utilization of the new resources and the expected outcomes. The following data is provided for these performance measures, based upon activity and services from January through June 2007.

- Performance Measure 1: Number of calls to the 1-877-KIDSNEEDU foster and adoptive parent recruitment information line – *1,454*

- Performance Measure 2: Number and percentage of calls immediately answered by a recruitment response specialist – *1,028, or 71 percent*

- Performance Measure 3: Number and percentage of calls switched to voice mail messaging – *426, or 29 percent*

- Performance Measure 4: Number and percentage of calls switched to voice mail messaging and responded to within two working hours of receipt – *220, or 51 percent*

- Performance Measure 5: Number and percentage of foster and adoptive parents who surfaced concerns to the resource parent advocate specialist and received a response within three working days – *The Department is currently in the recruitment and hiring phase for this position. During the interim, calls of concern from adoptive and foster parents were referred to other advocacy and adoption staff. The Department anticipates filling this critical new position in August 2007.*

- Performance Measure 6: Number and percentage of families referred to family transition and support crisis response services and express that the service provided the needed support to their family – *23 families received family transition and support crisis response services. Of the twelve families who provided feedback on the services, eight*

families stated the service provided the support needed, and four families stated that the crisis support services could have been more specific to their special circumstances.

- Performance Measure 7: Number and percentage of children referred for transition counseling and therapeutic services and remain in the adoptive placement without a placement disruption – *187 children were referred for transition counseling and therapeutic services. Of these children, 174 or 93% remained in their adoptive placement.*

- Performance Measure 8: Number and percentage of families receiving support resources that express that the service helped to meet the child's needs when no other resource was available – *26 requests for services were received. Thirteen requests were approved; five requests were referred to other resources that were available to provide the service, seven requests are in the approval process at this time, and one request was denied as not meeting the criteria for the funding. Seven families were contacted specifically for feedback about the services and whether the service met their needs. All seven of these families overwhelmingly expressed that the service was beneficial to their child and made a positive difference for their child and family.*

When the Joint Legislative Committee on Adoption Promotion meets to make additional recommendations on the use of the funding appropriated for fiscal year 2008, the Department will request review of the expenditure plan by JLBC.

If you have any questions, please contact Stephen Pawlowski, Financial Services Administrator, at (602) 542-3786.

Sincerely,

Tracy L. Wareing
Director

cc: Members of the Joint Legislative Budget Committee
        Representative Rick Murphy, Co-Chairman, Joint Legislative Committee on Adoption
            Promotion
        Senator John Huppenthal, Co-Chairman, Joint Legislative Committee on Adoption
            Promotion
        James Apperson, Director, Governor's Office of Strategic Planning and Budgeting

STATE
SENATE

ROBERT L. BURNS
      CHAIRMAN 2008
PAULA ABOUD
AMANDA AGUIRRE
JAKE FLAKE
JORGE LUIS GARCIA
JACK W. HARPER
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
      CHAIRMAN 2007
KIRK ADAMS
ANDY BIGGS
TOM BOONE
OLIVIA CAJERO BEDFORD
LINDA J. LOPEZ
PETE RIOS
STEVE YARBROUGH

DATE: September 13, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Assistant Director

SUBJECT: Department of Education – Review of Draft Request for Proposals for eLearning Pilot Program

Request

Pursuant to Laws 2007, Chapter 264 (Section 12), the Department of Education (ADE) and eLearning Task Force have submitted for "review and comment" the preliminary Request for Proposals (RFP) for the eLearning pilot program established by Laws 2006, Chapter 375.

Summary

The Committee has at least 2 options:

1) A favorable review. The draft RFP conforms with requirements stipulated in Laws 2006, Chapter 375.
2) An unfavorable review. The draft RFP does not mandate development of "scoreboard" software that has been a subject of some legislative interest.

Analysis

Laws 2006, Chapter 375 established a pilot program to provide mathematics instruction to pupils in Grades 6 through 9 through a digital curriculum. Background information regarding the program and a brief review and analysis of its preliminary RFP are provided below.

Background

Laws 2006, Chapter 375 appropriated $3,000,000 in one-time funding from the General Fund in FY 2007 to fund an eLearning pilot program. The legislation originally required the department, in cooperation with an eLearning Task Force created by the bill, to establish an eLearning pilot program in up to 10 schools for 3 years starting in FY 2008. The K-12 Education Budget Reconciliation Bill (BRB) for FY 2008 (Laws 2007, Chapter 264), however, extended all program deadlines by 1 year, so the pilot program now will commence in FY 2009 and continue through FY 2011 (originally FY 2010). Chapter

(Continued)

264 also gives the department until FY 2011 (originally FY 2010) to allocate the original $3,000,000 in program funding, which is non-lapsing with no specified ending date (unchanged from original bill).

The Task Force membership and duties are prescribed in A.R.S. §15-1044, as established by Chapter 375. The Task Force first met on December 20, 2006 and it has held 9 meetings since then to date.

Analysis of RFP

"Scope of Work" pages from the draft RFP appear as *Attachment 1*. These pages provide detailed information on goods and services that the winning vendor is expected to deliver for the project. These items pertain primarily to the delivery of digital math coursework, student assessment data and related teacher training. *Attachment 1* excludes, as a space savings measure, 47 pages of "boilerplate" documentation that also are included in the RFP. Those pages can be obtained from the department upon request.

The preliminary RFP appears to include all of the following items required by Laws 2006, Chapter 375:

1. The scope of work, including programmatic, performance and technical requirements, conceptual design, specifications and functional and operational elements for the delivery of the completed components of the pilot program.
2. A description of the qualifications required of the entity or group of entities that will be selected for the pilot program.
3. Copies of the contract documents that the successful bidder or group of bidders will be expected to sign.
4. A timeline for the design and completion of the pilot program.
5. The estimated cost of the components of the pilot program.
6. Any other information relevant to the pilot program.

One item of note regarding the draft RFP is that it does not specifically require the vendor to develop "scoreboard" software that would enable students in a class to see in "real time" their collective academic achievement in math relative to that of other classes or peer groups. There has been some legislative interest in having the RFP focus on getting such software developed, but the draft RFP does not explicitly require it. Our understanding is that this is because the Task Force had concerns regarding development costs, technical feasibility and ownership issues for the proposed software. The draft RFP, however, seeks to address goals of the proposed software by requiring program vendors to "provide engaging and interactive experiences for students… [including the] use of gaming strategies" (item 12-f on page 5 of *Attachment 1*).

An additional item of note is that the Information Technology Authorization Committee (ITAC) gave its approval to ADE's computer-related plans for the program on August 22, 2007. Those plans are incorporated into the draft RFP.

Next Steps

Chapter 375 requires the Task Force to finalize the RFP "based on comments received from the JLBC" and stipulates that ADE shall issue the finalized RFP "within 30 days after the hearing conducted by the JLBC." It also requires ADE to submit provisions of the final contract for review by the JLBC in Executive Session at least 10 days before entering into the contract. ADE plans to publish the final RFP by the end of September 2007 and award the final contract in November 2007. The current proposed timeline for the project as a whole appears on page 1 of *Attachment 1*.

RS/SSc:ss
Attachment

Tom Horne
Superintendent of
Public Instruction

September 4, 2007

Representative Russell K. Pearce, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, AZ 85007

Dear Rep. Pearce:

Pursuant to Laws 2006, Chapter 375, Section 3(B), the eLearning Taskforce, in cooperation with ADE, is submitting to the JLBC for review and comment an actionable request for proposals (RFP) for the eLearning Pilot Program established by that law. We would appreciate it if you placed this item on the agenda for the September 2007 JLBC meeting.

Attached is the Section 1 – Scope of Work for the request for proposal. This section includes the major items listed within the law. The contracts forms to be signed are within the shell of the Arizona Department of Education's Request for Proposal template and can be found on page 1 and Attachment 6.1 – 6.7 of the 60-page document. This document was sent by email.

Please feel free to contact me if you need any further clarification. I can be reached at 602-364-1349 or cathy.poplin@azed.gov.

Sincerely,

Cathy J. Poplin, eLearning Taskforce Chairperson
Deputy Associate Superintendent of Educational Technology

Cc: Richard Stavneak, JLBC Staff Director

Section 1 – Scope of Work

1. BACKGROUND:

The State of Arizona (Senate Bill 1512 - http://www.azleg.gov/legtext/47leg/2r/bills/sb1512c.pdf) wishes to implement an elearning pilot program to deliver digital middle school mathematics content aligned to Arizona State Academic Standards. The program will provide the digital content with assessments for math grades 6 through 9 and use laptop computers. Professional development is a critical component of success for the project and will be included in the design and implementation of the program. For purposes of this RFP, elearning is defined as*: The use of electronic technologies or Information, Communication, Technology (ICT)'s in education. ELearning may occur both in distance and conventional education and may involve electronic media that do not use online delivery*[1].

The goal of the legislation is to implement a three-year eLearning pilot program to help schools achieve academic and motivational gains based on state and national standards. The scope of the pilot will be limited to three full academic years for up to a maximum of 10 sites and 10,000 or fewer students. However, vendors must be able to provide a delivery system with the digital math content capable of scaling up to 50,000 students at over 225 districts and 450 charter schools at school and home. The digital content must also provide for students who are above or below grade level.

Schools will be selected through an application process developed by the eLearning Taskforce (ELTF) in conjunction with the Arizona Department of Education (ADE). The selection process will ensure a representative sample of students reflecting, as close as possible, the state's student population profile. The number of participating sites and students will depend on the project's cost per student and the available funds.

Laptops provided for the pilot must include wireless cards, meet the Arizona Government Information Technology Agency (GITA) platform standards and match the platform standard (PCs or Mac) of the pilot schools.

The award will be based on the system that provides the highest quality digital content and professional development that focuses on effective teacher/student interaction.

Proposed Project Timeline:

Aug 2007	Submit proposed eLearning PIJ to GITA.
Sept 2007	Submit draft RFP JLBC.
	Publish RFP.
	Develop specifications for the third party evaluator.
Oct 2007	Develop application for LEA's participation.
	Create tentative project plan and schedule.
	Release alert advisory to schools regarding upcoming application including site qualification requirements.
Nov 2007	Selection of vendor and award of contract.
	Develop and approve final project plan in conjunction with selected vendor.
	Release application to schools.
	Select the third party evaluator to immediately start review of data for reporting purposes.

---

[1] *A Synthesis of New Research on K – 12 Online Learning.* Learning Point and Associates. 2005

Dec 2007	Report to JBLC for contract review (provided by ADE).
Jan 2008	Select site participants and issue notification of acceptance. Report status to all concerned parties.
Feb 2008	Implement the Professional development and community awareness phase of the pilot.
June 2008	Report to legislature. Ensure delivery of equipment, professional development schedule and site readiness milestones are on track.
Aug 2008	Establish full implementation for all participating LEAs.
Oct 2008	Report to all parties on status of the pilot.
TBD	Evaluations and status reports.
Nov 2011	Final report to Legislature on pilot.

Project Oversight/Management Team

The project will be directed by the eLearning Taskforce and supported by the Arizona Department of Education (ADE). LBC and House and Senate Education committees will receive communication on progress as the pilot proceeds. The eLearning Taskforce will provide oversight of the project including approval of all documents, conducting the RFP evaluation and selection of vendors, development of the application for LEA's, and selection of participants.

The eLearning Taskforce consists of:
- The Superintendent of Public Instruction or his designee.
- The Director of the Government Information Technology Agency (GITA) or his designee.
- Nine appointed persons representing:
  - Two members of the business community with expertise in technology issues.
  - Two psychometricians.
  - Two individuals with expertise in curriculum development.
  - One teacher from a public, private or charter school who provides instruction in grades 6, 7 or 8.
  - One person who represents a public, private or charter school.
  - Two persons who represent higher education (experts in education technology and 21st century learning.
  - One person with background in online or digital format formative assessment.
  - One person who represents an entity that provides teacher training and professional development.

Advisory Support for the Management Team:

- ADE's Math Standards department will review and approve the digital content selection.
- ADE's Assessment department will provide input during the selection and oversight stages
- ADE's IT's Department will exercise oversight of the technical and data aspects of the project.

Project Funding

The State has appropriated $3,000,000 with 5% being reserved for administration costs of the Arizona Department of Education. This state funding in the fund is the only funding directly available at this time to carry out the pilot program. Other funds from private and public sources may become available to add to the fund.

Fixed Costs

ADE administrative fixed costs	$ 150,000.00
ADE's IT data integration fixed costs	$ 150,000.00
Total	**$ 300,000.00**

The remainder of the funds, $ 2,700,000, will be spent on the following:
- Digital content/assessment
- Professional development
- Hardware

The ELTF will select a qualified third party to evaluate the pilot project. The evaluation will include measures of student attitudinal, motivational, cognitive and behavioral variables, teacher attitudinal and training factors, and student achievement measures. The evaluation questions and reports will address adoption, implementation and outcome issues, as well as all levels of decision making including state policy, state system development, district and school decisions, digital curriculum standards and professional development standards. The specific evaluation questions and plan will be determined in conjunction with the winning bidder and ADE, with the final plan requiring approval by the elearning task force.

2. PURPOSE

Select and implement an innovative **solution** that includes digital mathematics content, assessments, professional development and hardware for a pilot of Arizona schools with the goal of increasing student academic achievement beyond one year's growth per academic year and improving student motivation.

The proposed solution will include:
1. A pilot program for digital middle school math content at schools that have at least 2 continuous grades at the sixth through ninth grade levels. (See Appendix A for model of implementation.)
2. Professional development that will ensure effective use of the digital math content, including use of equipment and appropriate pedagogical strategies. Training will also address using the laptop technology to positively impact the daily work of students.
3. Comprehensive progress reports for the legislature and ADE with appropriate student data based on sound psychometric principles.
4. The necessary hardware to effectively implement the digital content for students and teachers, i.e. laptop computers with wireless capability.
5. A central delivery system with the ability to deliver course work to 50,000 students simultaneously at the highest reliability level both at home and school.

3. REQUIREMENTS

A. OFFERORS REQUIREMENTS

The offeror shall meet the requirements below and shall provide the appropriate supporting documentation. Offeror's proposed digital content must stand firmly on scientifically-based research. The Offeror and **prime** vendor must be the provider of the digital content and may choose to partner with other vendors, as appropriate, in submitting a single proposal.

The Offeror must:

1. Be capable of providing effective leadership in a joint effort with the selected partners. Previous successful joint efforts similar to this project should be referenced.
2. Have successfully implemented the current product or immediate predecessor in a variety of educational settings. Provide a list of references of schools that have used the digital content or predecessor products in similar situations. (Provided in Attachment 6.2)
3. Submit a comprehensive written narrative of the design and implementation plan to accomplish the project. The implementation plan must include a projected timeline sequencing all major events and project tasks that specifically detail the duration of all tasks in increments of eight (8) hour days.
4. Provide access to <u>full versions</u> of the proposed digital content/curriculum to ELTF members for evaluation of the RFP and to the Arizona Legislative committee members identified in the enabling legislation   Access for a minimum of 25 users will be required during the evaluation phase. The full digital content shall be available from the submission to the date the award process is completed.
5. Identify and provide specifications for any peripheral equipment required or recommended to maximize effective use of the system. (This information will be attached to the Offeror's proposal as Attachment 6.9)
6. Provide a sample of the laptop(s) being offered that meet the specifications recommended for the pilot program for testing during the evaluation phase.
7. Provide a site readiness checklist that will ensure the participating sites are equipped with the required technical infrastructure and Internet bandwidth.
8. Describe how and what the vendor will report to the legislature, ADE, ELTF, and pilot districts and schools. The legislation states that the vendor will be required to deliver "Monthly reports on the performance of the system and direct any corrective steps required to achieve success."
9. Provide the name(s) and qualifications of the Project Management team and support staff with individual roles and responsibilities identified.

B. DIGITAL CONTENT REQUIREMENTS:

The focus of the project is sixth through ninth grade mathematics. The math digital content will be platform neutral and delivered via the Internet for school and home use. The software design needs to allow the student the ability to be self-paced at times as well as allow the teacher to use it as a part of direct instruction. The teacher's role may change over time to be more of a facilitator in the classroom. Given the possibility that some students will not have Internet connection at home, vendors are encouraged to offer alternatives for providing digital activities and resources utilizing the student laptop to meet the needs of these students. The proposed digital content must be firmly grounded on scientifically-based research with a high degree of validity and reliability. The vendor shall provide documentation for this research.

The Digital Content Must:

1. Be aligned with the Arizona K-12 Academic Math Standards **(http://www.ade.state.az.us/standards/math/articulated.asp)**. The digital content will address every math standard/strand and concept, down to the performance objective for 6-9 grades.
2. Be designed to be used in a one to one (1:1) environment to allow students to progress at their own pace as well as allow the teacher to use in direct instruction.

3. Accommodate students that are performing above and below grade level.
4. Be designed using appropriate pedagogy, learning theory, and instructional strategies to increase student achievement.
5. Provide authentic activities and relevant learning examples to address individualized needs of students.
6. Provide sensitivity to the ethnic, cultural and socio-economic demographics of Arizona when providing content examples and assessment items.
7. Be accessible beyond the 180 day academic school year (for example intersession, summer school).
8. Provide a delivery system that has the ability to provide course work to 50,000 students at the highest reliability level both at school and home.
9. Comply with federal 2004 IDEA parameters (can accommodate IEPs and work with assistive technologies)
10. Be designed to "increased student motivation" related to math.
11. Be platform neutral and delivered via the Internet for school and home use. Vendors are encouraged to offer alternatives for providing digital activities and resources utilizing the student laptop to meet the needs of students not having home access to the Internet.
12. Provide engaging and interactive experiences for students (allow for all learning styles) which will include but not be limited to:
    a. visual (color, motion, graphics)
    b. auditory
    c. aesthetic appeal
    d. intuitive navigation
    e. reading level fits the recommended audience
    f. use of gaming strategies

Desirable but not required:
1. Provide alignment to the National Math Curriculum Focus (NMCF), (**http://www.nctm.org/focalpoints/news_cfpnctm.asp**).
2. *Provide for parental involvement with the ability to monitor learning and progress both electronically and in alternative formats.*
3. Provide for a student "help desk" on-line for technical issues throughout the duration of the pilot.
4. Provide for a free student "math homework hotline" a minimum of 2 hr per "evening"
5. Provide a collaborative student platform.

C. PROFESSIONAL DEVELOPMENT REQUIREMENTS:

Effective professional development is critical to the success of this pilot. All schools are required by NCLB to provide highly qualified teachers in the classroom; however, participating pilot teachers will have a variety of educational and technical experience. Learning to use digital content effectively requires acquiring new knowledge and skills. The professional development provided must be based on National Staff Development Council standards, Arizona Professional Teaching standards and lessons learned from previous similar pilot programs. The prime vendor will need to provide sufficient professional development and follow up support to ensure that the pilot is implemented with fidelity and that all teachers deliver the program with confidence. To assist the prime vendor in the implementation, the selected pilot sites will provide documentation of the teachers' content skills, years of experience, and other data as appropriate.

The Professional Development Must:
1. Provide evidence that all professional development is aligned with the Arizona Professional Teaching Standards http://www.ade.state.az.us/certification/downloads/Teacherstandards.pdf and the National Staff Development Council http://www.nsdc.org/standards/index.cfm.
2. Provide both initial and ongoing professional development for teachers and their administrator that:
    a. Ensures effective use of the acquired digital content, assessments and equipment.
    b. Uses appropriate strategies and techniques to successfully integrate technological and digital resources into the daily work of students.
    c. Accommodates unscheduled teacher replacements during the school year.
    d. Offers a variety of formats, e.g. face-to-face, mentoring/coaching teachers in the classroom, workshops, peer-to-peer mentoring, web-based and/or other.
    e. Ensures that teachers can use real-time data to differentiate instruction based on the ability to analyze data and adjust learning as needed.
    f. Increases student motivation and success related to achieving Arizona Math standards.
3. Provide training syllabi with teacher time commitment for maximum results.
4. Provide digital records of registration, course or class completion and other units of professional development to the Arizona Department of Education for monitoring and recertification purposes.
5. Provide evidence that all professional development provided by the prime vendor is conducted by personnel with proven classroom experience (resume required).

Desirable but not required:
1. Provide on-line and/or toll-free phone teacher support during the normal school week hours (8-5) for the academic year.
2. Provide mentoring and coaching of teachers as follow-up for the duration of the project.
3. Provide materials and content for the schools to utilize for informing and communicating with parents/guardians of participating students.
4. Provide incentives for the teacher participation in the program.

D. STUDENT ASSESSMENT REQUIREMENTS:

The legislative sponsor is interested in determining how real-time feedback can be used to motivate individuals and groups. The eLearning Taskforce is interested in determining if the pilot solution will offer a large-scale solution for improving student achievement in math. Both the interests of the legislative sponsor and the ELTF will require focused, real-time and informative assessment to make data-driven decisions. The academic effectiveness of the pupils in the pilot program shall be measured according to the existing assessment mechanisms prescribed in Title 15 Article 3, in the Arizona Revised Statutes as well as assessments throughout the project.

The Student Assessment Component Must:
1. Provide items aligned with the Arizona Mathematic Standard (at the concept and performance objective), and formatted consistent with the Arizona's Instrument to Measure Standards (AIMS).
2. Provide formative and summative assessments that:
    a. Utilize computer adaptive testing[2]

---

[2] CAT is defined here as an automated computer based testing module that administers students test questions from an item pool that targets

    b. Are embedded in instruction

    c. Provide reliable and valid assessment results at the individual student level

    d. Provide real-time feedback for both student and class

    e. Produce vertical growth scale (over 3 years)

    f. Provide scale scores across all the grades included in this pilot.[3]

    g. Produces two types of mastery scores (end of unit and state standard proficiency)

    h. Provides three year longitudinal data collection over the course of the pilot.

    i. Establishes baseline data

    j. Provide for analysis of results and provide teachers with recommendations for re-teaching

    k. Provide appropriate feedback to students with additional content review as needed.

    l. Allow for aggregation of longitudinal data by student, class, grade, school and state levels.

    m. Provide visual interpretation of degrees of mastery of the content.

3. Provide examples of all reports specified in this RFP.

E. TECHNICAL REQUIREMENTS:

All technical responses shall meet the requirements of the Government Information Technology Agency standards specifically those found at http://azgita.gov/enterprise_architecture/.

Enterprise Architecture (EA) Technology Domain Definitions
Network: Defines policies and standards for the State's communications infrastructure, which includes the various topologies and protocols necessary to facilitate the interconnection of server platforms, mainframes, intra-building and office networks (LANs), and inter-building and mall/campus networks (WANs).
Security: Identifies security technologies, policies, and standards necessary to protect the information assets of the State and to ensure isolation and confidentiality of information, integrity of data, and the availability of IT resources to the State's workforce and citizens, as appropriate.
Platform: Defines policies and standards for IT devices and associated operating systems, which include mainframes, mid-size computers, servers, storage devices, client platforms (PCs, workstations, PDAs, telephony, etc.).
Software/Application: Defines policies and standards for software applications, application development tools, productivity software tools, etc.
Data/Information: Defines policies and standards for the organization of information related to citizens, locations, and objects the State must collect, store, maintain, and access.

The proposed delivery system must be "platform neutral" so that selected sites can utilize their existing platform base standards (assuming either Windows 2000 or higher or Mac OS X or higher). The ELTF will entertain proposals that have either "lease with buy-out" or outright purchase options for the individual laptops. Laptops may be acquired using Arizona's State Procurement Office's current Laptop contract which by definition will be in compliance with the Government Information Technology Agency (GITA) standards or the vendor may provide the same equipment via their own OEM equipment agreements

The enabling legislation requires that the vendor provided system be capable of remote accessing, monitoring and reliability analysis of the electronic system delivering the coursework and assessments. The analysis should be directed towards system improvement.

---

[3] "The entity or group of entities delivering the assessments shall be able to show that the entity or group of entities are capable of delivering these assessments with computer adaptive testing SB 1512.

Platform Requirements:

1. Teachers and students in the pilot will be provided a laptop with wireless capability and a carrying case for the duration of the project. Participating schools will be allowed to select either a PC or Mac laptop and wireless cards based on their district's policy and practice.
2. The minimum requirements for laptops are:

Specifications	WINDOWS PC	APPLE MACINTOSH
Operating System	Windows XP Professional SP2 Media Center Edition 2005	Macintosh OS 10.4 or Above
Productivity Tools	Microsoft Office 2003/2007	Microsoft Office for Mac 2004/2008
Processor Speed	Core Duo (not Celeron)	1.83 Ghz
Memory	1 GB RAM	1 GB RAM
Hard Drive	60 GB	60 GB
Graphics Card	Integrated card	Integrated card
Warranty	3 year parts and labor *(on-site strongly recommended)*	3 year parts and labor Applecare
Insurance	Comprehensive breakage, theft, hazard (strongly recommended)	
Virus and Spyware Protection Software	Appropriate virus and spyware protection software	
Browser	As appropriate for digital content	Firefox/ Mozella

3. The proposed laptops' operating system must be compatible with digital math content requested under **Section B - DIGITAL CONTENT REQUIREMENTS**.

Technical System Must Be:

1. Based on widely-accepted principles and open architectures, supported by open- and/or pervasive-industry standards and best practices as defined by Arizona's statewide IT P700 series of policies and S700 standards addressing Network, Platform, Software, and Data/information Architectures.
2. Interoperable, portable, scalable, adaptive and comply with the ADE's technical guidelines for initiatives and strategies.
3. Compatible and interoperable with ADE's IDEAL project. (http://www.ideal.azed.gov)

Security System Must:

1. Securely and economically protect all districts and schools business/system functions and its data/information as defined by Arizona's statewide IT P800 Security Policy and S800 series of security standards. This shall include district, teacher, and student access to appropriate levels of information and resources pertaining to district/school reporting, academic reporting, coursework and assessments, and student scores.
2. Comply with existing Federal and State statutes on confidentiality, privacy, accessibility, availability, and integrity shall also in compliance with the legal requirements establish the responding vendor. All access to data must be in compliance with FERPA, Family Educational Rights and Privacy Act. (http://www.ed.gov/offices/OM/fpco/index.html)
3. Be certified to have 99% real-time reliability for users. Successful bidders will post bond or provide proof of insurance to cover any costs incurred as a result of "loss of use" during the pilot.

Management and Reporting System Must:
1. Be user friendly and require minimal training to operate effectively. The system must have the capacity for remote monitoring and support.
2. Include a complete explanation of the operation of the Learning Management System, from set-up and testing to final implementation
3. Provide a strategy to do ongoing system analysis of the pilot project itself and implement improvements.
4. Provide samples of appropriate monthly reports on system performance,
5. Provide capacity for ad hoc queries on student usage and performance
6. Provide a tech support strategy including a help desk function that will ensure the highest level of operational capacity and maximum instructional usage.

Data Standards Must Be:
1. SIF compliant (http://www.sifinfo.org)
2. Capable of importing data to and exporting data from any Student Information System.
3. Compliant with Arizona Educational data standards and systems to facilitate data transfer and reporting to the school/district Student Information System and to the State's Data Warehouse System.

Site Infrastructure Evaluation and Remote Management Must:
1. Be able to assess the participating school's wireless and network infrastructure, Internet bandwidth capacity and identify any deficiencies that would impact system performance.
2. Be able to remotely monitor and analyze participating schools' wireless and network infrastructure, Internet bandwidth capacity and make systems improvements as required. (The pilot schools will assure that site infrastructure meets or exceeds the requirements of the vendor's system.)
3. Ensure that at least one on-site individual be trained to be able to log students off when computers freeze or tampering has occurred (or the ability to do this remotely with toll-free access or email with 10 min response time during the academic day).

4. COSTS

In Attachment 6.1, include: total cost, breakdown cost by software, annual support costs, hardware, professional development required and optional, and finally a cost per student per year. Budget items should be cross-referenced to the proposal components (digital content, motivational aspect (if separate), assessment, professional development, technical support, equipment and management).

Attachment: 6.6 Digital Content, Professional Development and Delivery Narrative

Reviewer Name: _____ Date: _____

Company Name: _____

Instructions: Respond to each of the questions below on a separate page. Proposals will be reviewed by the ELTF and invited experts. While the **PRIME CONTRACTOR/VENDOR** will be responding to these narrative questions, all the proposed partners much be included in the answers and sign that they are aware of the response and its implications. The proposal must include the following and will be reviewed according to the following:

Proposal Narrative and Rating Criteria

1. Describe succinctly the nature and scope of your digital math content for this pilot project.

2. Provide evidence that your proposed digital content is based upon scientific-based research.

3. Provide how the digital content aligns with the Arizona Math Standards and how the professional development aligns with the Arizona Professional Teaching Standards and the National Council of Staff Development Standards.

4. Describe the innovative aspects of your proposed digital content.

5. Discuss how the assessment component(s) will help Arizona gather and report data on their progress to meet the Legislative mandate for this pilot.

6. Describe prime vendor's experience with offering face-to-face and online professional development. Provide three experiences / references directly related to delivery of professional development to support your narrative.

7. Describe the prime vendor and partners' technical resources and ability to meet the requirements of this RFP, including how pilot schools will be supported. Describe prime vendors and partners' ability to meet the requirements of the RFP within the proposed timeline including task relationships and dependencies.

8. Provide a realistic time frame to begin the following tasks once the award of contract is made:

   - Professional development schedule available and advertised
   - Hardware delivered and installed
   - Student set-up in digital content management system
   - Reporting system ready
   - Student pilot begins

9. Discuss any additional strengths and experiences of the prime vendor and its partners relevant to supporting this pilot.

STATE OF ARIZONA

Joint Legislative Budget Committee

DATE: September 13, 2007

TO: Representative Russell Pearce, Chairman
                     Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Fiscal Analyst

SUBJECT: JLBC Staff – Consider Approval of Index for School Facilities Board Construction Costs

Request

A.R.S. § 15-2041D.3c requires that the cost-per-square-foot factors used in the School Facilities Board
(SFB) building renewal and new school construction financing "shall be adjusted annually for
construction market considerations based on an index identified or developed by the Joint Legislative
Budget Committee (JLBC) as necessary but not less than once each year."

The SFB Staff is requesting that the Committee approve an adjustment for FY 2008 based on an average
of 2 Phoenix Metropolitan marketplace indices developed by a project management firm and a
construction-consulting group. The SFB Staff is also requesting the Committee to consider revisiting the
inflation level again in January 2008.

Recommendation

The Committee has at least 2 options to consider:

1. Approve a 5.53% increase in the cost-per-square-foot factors as requested by SFB Staff and based on
   the Committee's 2006 methodology. This adjustment is based on an average of Phoenix construction
   costs indices developed by a project management firm (2.2%) and an international construction-
   consulting group (8.9%). Approving this adjustment may generate $24.1 million in additional cost
   through FY 2012 for new construction authorized in the FY 2008 approval cycle. About 5% of these
   additional costs would be incurred in FY 2008.

   The adjustment would increase the building renewal formula cost by $10.5 million in FY 2009.
   Formula increases, however, do not occur automatically and are subject to legislative appropriation.

2. Approve an adjustment based on one of the two indices described above.

Table 1 lists the current dollar per square foot amounts and options 1 and 2.

Table 1 Dollars per Square Foot Amounts for Each Option			
	K-6	**7-8**	**9-12**
Current Amount	$131.10	$138.40	$160.25
Option 1- Consensus average (5.53%)	$138.35	$146.05	$169.11
Option 2- PinnacleOne only (2.2%)	$133.98	$144.44	$163.78
Rider only (8.9%)	$142.77	$150.72	$174.51

SFB has the statutory authority to fund projects above these square foot amounts if a district cannot build a school within the New School Facilities (NSF) formula amount. In FY 2006, SFB funded 38% of projects over the formula amount for total additional funding of $20.4 million. In FY 2007, SFB funded 86% of projects over the funding amount for total additional funding of $33.4 million. This averages to $1.4 million in additional funding per project.

Analysis

This section includes background information regarding the SFB inflation index, details on rising construction costs, an explanation of the options available for the current adjustment, discussion on SFB's guidelines for funding new school construction projects, and other adjustments SFB has requested this coming session.

Background Information
The original Students FIRST legislation (Laws 1998, Chapter 1, 5th Special Session) established funding amounts per square foot of space for new construction and building renewal (e.g., $90 per square foot for Grades K-6). It required, however, that those amounts be adjusted periodically for inflation. The latter provision states that the funding amount per square foot "shall be adjusted annually for construction market considerations based on an index identified or developed by the JLBC as necessary but not less than once each year" (A.R.S. § 15-2041D.3c). SFB also has statutory authority to modify a particular project cost per square foot for geographic factors or site conditions above the approved amounts.

Prior to 2002, the Committee used the Marshall Valuation Service (MVS) construction cost index for Class C structures (masonry bearing walls) for Phoenix. At the August 2002 meeting, the Committee elected not to approve an adjustment in the cost-per-square-foot factors. Due to the decision not to approve an adjustment for that year, 5 school districts brought suit against the Committee, claiming the Committee had failed to perform its statutory duty under A.R.S. § 15-2041D.3c to adjust the index not less than once per year. The following year, at the September 2003 meeting, the Committee approved a 2-year adjustment. The adjustment made was based on the Bureau of Economic Analysis (BEA) index for "State and Local Government Investment - Structures." The Committee again approved the BEA index at the September 2004 meeting. At the October 2005 meeting, the Committee approved an adjustment based on a midpoint between the BEA and MVS indices, which was higher than actual prior year inflation under either index, to account for the high rate of growth in construction costs over the past few years. Last year at the October 2006 meeting, the Committee adopted an average of the same 2 indices that the SFB Staff is recommending again this year (see next page).

For building renewal, the inflation adjustment is applied to the *formula* amount. In FY 2008 the state funded $86.3 million of the $190.2 million building renewal formula amount. An inflationary adjustment, therefore, would increase the full formula amount to at least $194.4 million (based on the PinnacleOne index) in FY 2009 prior to any other possible formula adjustments. Adjusting for inflation would not change the existing FY 2008 appropriation.

Construction Costs
Even though the prices of construction cost inputs are still increasing, they are not rising as much when compared to the previous few years. According to the U.S. Bureau of Labor Statistics, the costs of construction inputs have risen by 2.8% in FY 2007 compared to 9.4% in FY 2006. For example, the cost of iron and scrap steel only rose 4.0% in FY 2007 compared to the 69.2% increase in FY 2006. Softwood plywood, copper base scrap, and hot rolled bars are the only construction inputs whose costs increased by over 10% in FY 2007, while copper ores and non-ferrous pipes increased by 100% in FY 2006.

Options for the Current Adjustment
The JLBC Staff has identified possible adjustments that could be considered. *Attachment 1* includes information on each of the 2 indices discussed below.

PinnacleOne and Rider Indices
The SFB Staff has again requested the Committee approve an adjustment based on an average of 2 Phoenix market indices developed by PinnacleOne, a project management firm, and Rider Levett Bucknall, an international construction-consulting group.

The PinnacleOne index reports inflation of 2.2% for FY 2007 and is based on the cost of an elementary school in the Phoenix area. Beginning in January 2006, this index was only developed for Phoenix and is based on the cost to build a 70,000 square foot K-6 school. Input prices are updated each quarter based on conversations with their subcontractors and suppliers. Even though it measures inflation for Phoenix area elementary schools, it does not measure inflation for high schools or schools outside of the Phoenix Metropolitan area.

The Rider index reports inflation of 8.9% and includes all types of Phoenix area construction. This index tracks the bid cost of construction including labor, materials, general contractor and subcontractor overhead costs and fees, and applicable sales and use taxes. Rider develops a construction costs index for 11 major U.S. cities, including Phoenix. This index also does not measure inflation outside of Phoenix.

The average of these 2 indices is 5.53%. The total estimated new construction impact would be $24.1 million cumulatively through FY 2012. The adjustment would increase the building renewal formula cost by $10.5 million in FY 2009. Formula increases, however, do not occur automatically and are subject to Legislative appropriation.

New School Construction Funding Guidelines
SFB provides new construction funding based on the product of the following statutory NSF formula:

No. of pupils   x   Sq. foot per pupil   x   Cost per sq. foot   =   Allocation amount

SFB has the authority to provide additional funding above and beyond the statutory allocation amount to a district if it cannot build a school within the NSF formula amount. A district can prove they cannot build a minimum guidelines school by demonstrating they are building the least expensive school they possibly can but are still over the formula amount.

Since the enactment of Students FIRST, some of these projects have been funded above the formula with SFB monies. In FY 2006, SFB funded 38% of their projects over the formula amount for total additional funding of $20.4 million. In FY 2007, SFB funded 86% of their projects over the funding amount for total additional funding of $33.4 million. This averages to $1.4 million in additional funding per project.

SFB has applied the JLBC adopted inflationary adjustment to projects that are approved subsequent to the Committee's action. As a result, projects that are approved at different times but began construction at the same time might receive different funding amounts from SFB.

Minimum School Facility Guidelines
Minimum guidelines for school facilities were developed by SFB, adopted by the Joint Committee on Capital Review, and became effective in 1999. Since their adoption, no significant changes related to new school construction standards had been made to the guidelines until the board approved SFB Staff's recommendations on how to apply 7 areas of the minimum guidelines for new construction projects in February 2007. Those 7 areas include: indoor flooring, gym flooring, millwork (cabinetry), exterior lighting, canopies, playground structures and canopies, and landscaping. These newly adopted guidelines could raise the NSF formula by about $7 per square foot. Note that this is not part of the inflation adjustment increase that SFB Staff is currently requesting.

School Safety Features Adjustment
At the August 2 board meeting, the board adopted SFB Staff recommendations for incorporating 10 safety features into new school construction. SFB came up with these recommendations as a result of the Governor's office asking them to evaluate school security issues and make recommendations on these issues that might be incorporated into new school construction. These 10 features include:

1. Exterior security lighting
2. Administrative office locations
3. Classroom door locks
4. Student interior restroom configuration
5. Vestibule entry
6. Windows next to doors
7. Perimeter fencing
8. Security alarms
9. Security cameras
10. In-classroom telephones

According to SFB, the first 6 items have either no cost or are capable of being funded within current SFB guidelines since these items are design in nature. In their FY 2009 budget submittal, SFB is seeking a 1.6% adjustment to the new construction formula for items 7-10. If this adjustment is approved, SFB estimates it will impact FY 2009 new construction approvals by $6.8 million over 5 years, with an initial year cost of $350,000 in FY 2009. Note that this is not part of the inflation adjustment increase that SFB Staff is currently requesting.

Energy Conservation Adjustment
In their FY 2009 budget submittal, SFB is requesting a 5% adjustment to the new construction formula for school energy efficiency and sustainability. This is in response to the 2005 Governor established goal of building all schools to LEED (Leadership in Energy Efficient Design) silver standards. If this adjustment is approved, SFB estimates it will impact FY 2009 new construction approvals by $21.4 million over 5 years, with an initial year cost of $1.1 million in FY 2009. Note that this is not part of the inflation adjustment increase that SFB Staff is currently requesting.

RS/LMc:ym
Attachment

Construction Costs Indices Research

PinnacleOne
- Project management firm (http://www.pinnacleone.com/)
- 2.2% for FY 2007
- Phoenix elementary school index
- Has been in existence since 2005 internally but was finalized in Jan. 2006. The first index they published was for 1st Quarter 2006.
- In January 2006 they used an actual 70,000 sq. ft. K-6 school as a model. They update their cost estimates every quarter by contacting outside contractors and vendors to ask them what kinds of costs they have experienced for the previous 3 months.

Rider Levett Bucknall
- International construction-consulting group (www.riderhunt.com)
- 8.9% for FY 2007
- All types of Phoenix construction-they use a hypothetical building in their model so it's not necessarily a residential or commercial building
- Has been in existence internally since 2001 but was first published in 2002 and is published each quarter.
- Tracks bid costs of construction including labor, materials, general contractor and subcontractor overhead costs and fees, and applicable sales and use taxes. Once a quarter, they contact the same 3 suppliers to ask what material prices they've been incurring the previous 3 months and then average these 3 material costs. They use government websites to get information on labor costs.
- Has the same index for 11 other U.S. cities besides Phoenix

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

August 30, 2007

The Honorable Robert Burns
Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Senator Burns,

A.R.S. 15-2041, section 3(C). states in part "…The cost per square foot shall be adjusted annually for construction considerations based on an index identified or developed by the joint legislative budget committee as necessary but no less than once each year."

For FY 2008, SFB staff is requesting the committee adjust the formula by 5.53 percent. This number was derived from two indexes developed specifically for the Phoenix market. The project management firm PinnacleOne developed the first index. This index is based on the cost of an elementary school in the Phoenix metropolitan market and reports FY 2007 inflation at 2.2 percent. The second index was developed by Rider Levett Bucknall an international construction-consulting group. This index includes all types of commercial construction and sets inflation at 8.9 percent. The recommended number of 5.53 percent is the average of these two indexes.

These are the same to indices that the committee relied upon to set the inflation factor for FY 2007. Please note that Rider Levett Bucknall is the new name for Rider, Hunt, Levett, and Bailey.

Table one shows the impact on the cost per square foot of the recommended increase.

Table One

Grade Level	Current Amount	Adjusted Amount
K-6	$131.10	$138.35
7-8	$138.40	$146.05
9-12	$160.25	$169.11

SFB staff believes that this amount adequately reflects FY 2007 inflation. The proposed costs per square foot would have covered the construction costs for the most recent SFB new construction projects.

However, in recent months, new costs, not related to inflation, have entered the program that will not be covered by this inflation increase. First, SFB staff has noted a significant increase in impact fees charged by cities and counties. These fees can be as much as $8.37 per square foot or 6.4% of the

current cost per square foot of a K-6 school. SFB staff estimates the impact fees levied by Pinal County alone could reach $7 million in FY 2008. The inflation adjustment will not cover these fees.

Second, low property wealth districts are asking the SFB to fund on-site adjacent ways costs. Until recently, the majority of districts funded eligible adjacent ways expenditures, both on and off the school site, from the local adjacent ways budgets. As growth has entered smaller, low property wealth districts, some districts are asking the SFB to fund certain on-site ingress and egress items. In recent projects, these costs have reached $6 a square foot or 4.6 percent of the current cost per square foot in a K-6 school. This shift in cost is not an inflation item, and will not be covered by the proposed adjustments.

In addition to the current increase, SFB staff also recommends that the Committee review the inflation levels in January 2008. The current action before the committee will update the costs per square foot to July 2007 levels. However, the SFB will award the majority of the projects subject to this cost per square foot after January 2008. Therefore the new construction projects are subject to at least six months of inflation that is unaccounted for in the established cost per square foot. In seasons of major inflation, this will dramatically impact the buying power of the formula.

Fiscal Impacts
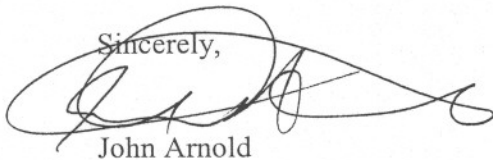
The increase will affect both the building renewal and new construction programs. The new construction impact is calculated by multiplying the projected FY 2008 awards by the recommended rate. The conceptual plan adopted in FY 2007 suggests that the SFB will award approximately $435 million in new construction in FY 2008.

Based on $435 million in projected awards, the total fiscal impact of the inflation adjustment would be $24 million. This impact will be spread across fiscal years 2007 through 2011. The FY 2008 impact would be approximately 3 percent of the total amount or $721,665.

For building renewal, there is no FY 2008 impact. However, the estimated FY 2009 impact to the building renewal formula will be approximately $10.8 million.

If you or your staff have any questions regarding this letter, please contact me.

Sincerely,

John Arnold

CC
Richard Stavneak
James Apperson
Lauren Kielsmeier
George Cunningham

QUARTERLY CONSTRUCTION COST INDEX FOR METROPOLITAN PHOENIX

June 2007 Report

At the inception and formation of the PinnacleOne Cost Management Division at the start of 2005, we began to track the bid costs of construction which include labor and material, subcontractor's overhead and profit and general contractor's general conditions, overhead, bonds, taxes and profit. From the 1st Quarter of 2005, we have tracked the changing construction costs in the Phoenix Metropolitan area. Each Quarter, we monitor the cost of construction and this can be found on the graphs shown below.

CONSTRUCTION INDEX CHART
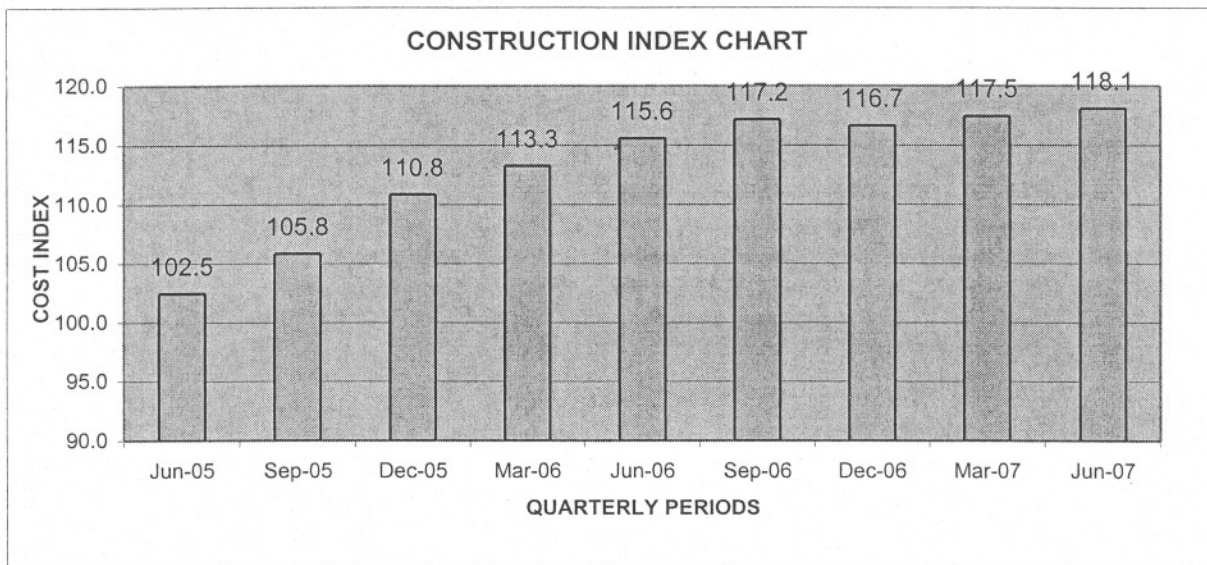
Escalation can be calculated for each Quarter by using the indices.

QUARTERLY ESCALATION			
3rd Quarter 2005 - 4th Quarter 2005	4.8%	3rd Quarter 2006 - 4th Quarter 2006	-0.4%
4th Quarter 2005 - 1st Quarter 2006	2.3%	4th Quarter 2006 - 1st Quarter 2007	0.7%
1st Quarter 2006 - 2nd Quarter 2006	-0.4%	2nd Quarter 2006 - 3rd Quarter 2007	0.6%
2nd Quarter 2006 - 3rd Quarter 2006	-0.4%		

CONSTRUCTION INDEX GRAPH

COST INDEX Boston

2.24% 3.23% 1.80% 1.25% 2.95%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Los Angeles

3.94% 2.55% 3.05% 3.90% 3.81%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Portland

2.93% 4.53% 2.10% 2.00% 2.12%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Seattle

3.81% 2.90% 3.24% 3.71% 2.20%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Denver

1.97% 0.73% 1.96% 1.10% 1.11%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX New York Metro

Data not available prior to July 2006

2.54% -0.88% 1.10% 3.70%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX San Francisco

1.68% 1.76% 3.91% 4.76% 3.90%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Washington, DC

1.94% 1.95% 1.39% 1.29% 2.60%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Honolulu

2.68% 1.98% 0.88% 1.71% 2.82%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Orlando

Data not collected prior to January 2007

1.22% 1.82%
July '06 Oct. '06 Jan. '07 April '07 July '07

Percentage change per quarter
Cumulative percentage change for the period shown

COST INDEX Las Vegas

4.97% 3.18% 2.85% 3.53% 2.73%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Phoenix

2.36% 2.80% 2.37% 1.97% 1.76%
July '06 Oct. '06 Jan. '07 April '07 July '07

ESCALATION AND INFLATION RATES: Our National Construction Cost Index for July 2007, again, shows strong levels of inflation despite the slow-down in the housing construction market.

We are occasionally asked 'How can construction escalation (inflation) be so high when the 'core' rate of inflation is so low?' It interesting to note that the concept of a 'core' rate of inflation excludes the volatile effects of both food and energy price changes; initially done as a method of 'leveling out' inflation numbers at times when food and energy prices tended to spike high and drop low over a relatively short period of time. While the 'core' rate of inflation remains an interesting and useful concept, its relevance today is somewhat diminished because food and energy prices tend to trend forever upward rather than swing wildly.
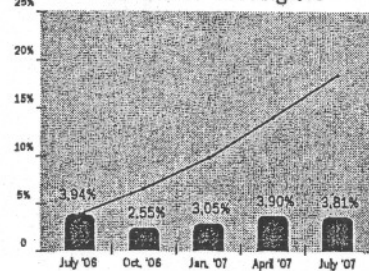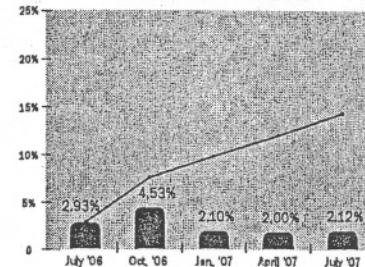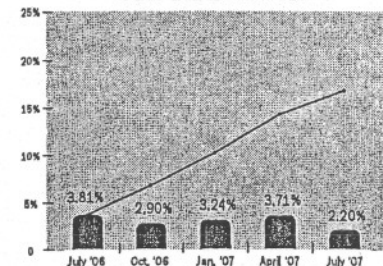
For construction escalation (inflation) one really needs to think about it in comparison to the true rate of inflation in the economy, that is the rate of inflation *including* changes in food and energy prices. Why? Simply because the true rate more closely reflects the effect that inflation has on consumers' pockets. It is for this reason that Rider Levett Bucknall measures the so-called 'buy' price and uses the changes in that to calculate construction cost escalation (inflation), rather than tracking only the changes in labor and materials prices, as these are only two components of total construction cost.

This is not to say that understanding labor and materials prices is unimportant; on the contrary, it is very important! However, our clients are typically more interested in knowing what the total effect of inflation will be on their budgets rather than knowing just the impact of price changes for the labor and material inputs.

COST INDEX Boston

2.24% 3.23% 1.80% 1.25% 2.95%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Los Angeles

3.94% 2.55% 3.05% 3.90% 3.81%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Portland

2.93% 4.53% 2.10% 2.00% 2.12%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Seattle

3.81% 2.90% 3.24% 3.71% 2.20%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Denver

1.97% 0.73% 1.96% 1.10% 1.11%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX New York Metro

Data not available prior to July 2006
2.54% -0.88% 1.10% 3.70%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX San Francisco

1.68% 1.76% 3.91% 4.76% 3.90%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Washington, DC

1.94% 1.95% 1.39% 1.29% 2.60%
July '06 Oct. '06 Jan. '07 April '07 July '07

Percentage change per quarter
Cumulative percentage change for the period shown

COST INDEX Honolulu

2.68% 1.98% 0.88% 1.71% 2.82%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Orlando

Data not collected prior to January 2007
1.22% 1.82%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Las Vegas

4.97% 3.18% 2.85% 3.53% 2.73%
July '06 Oct. '06 Jan. '07 April '07 July '07

COST INDEX Phoenix

2.36% 2.80% 2.37% 1.97% 1.76%
July '06 Oct. '06 Jan. '07 April '07 July '07

ESCALATION AND INFLATION RATES: Our National Construction Cost Index for July 2007, again, shows strong levels of inflation despite the slow-down in the housing construction market.

We are occasionally asked 'How can construction escalation (inflation) be so high when the 'core' rate of inflation is so low?' It interesting to note that the concept of a 'core' rate of inflation excludes the volatile effects of both food and energy price changes; initially done as a method of 'leveling out' inflation numbers at times when food and energy prices tended to spike high and drop low over a relatively short period of time. While the 'core' rate of inflation remains an interesting and useful concept, its relevance today is somewhat diminished because food and energy prices tend to trend forever upward rather than swing wildly.

For construction escalation (inflation) one really needs to think about it in comparison to the true rate of inflation in the economy, that is the rate of inflation *including* changes in food and energy prices. Why? Simply because the true rate more closely reflects the effect that inflation has on consumers' pockets. It is for this reason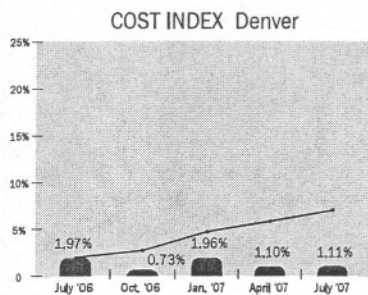 that Rider Levett Bucknall measures the so-called 'buy' price and uses the changes in that to calculate construction cost escalation (inflation), rather than tracking only the changes in labor and materials prices, as these are only two components of total construction cost.

This is not to say that understanding labor and materials prices is unimportant; on the contrary, it is very important! However, our clients are typically more interested in knowing what the total effect of inflation will be on their budgets rather than knowing just the impact of price changes for the labor and material inputs.

Joint Legislative Budget Committee

DATE: September 13, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Arizona Board of Regents – Review of FY 2008 Tuition Revenues

Request

The Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature and all retained tuition and fee revenue expenditures for the current fiscal year.

Recommendation

The Committee has the option of either a favorable or an unfavorable review, depending on its view of the spending plan (see pages 3 and 4 for details).

In total, appropriated FY 2008 tuition collections are estimated to be $468.4 million. This amount is $62.3 million above FY 2007 and $25.3 million above the original FY 2008 budget. The universities plan on using the additional $25.3 million in the operating budgets to cover inflationary increases, the hiring of faculty to improve student/faculty ratios, and academic and support planning priorities.

Non-appropriated, locally retained tuition and fees for FY 2008 are estimated at $354.3 million, or $31.1 million higher than FY 2007. Of the $31.1 million, $18.7 million is dedicated to financial aid. Statute allows the universities to retain a portion of tuition collections for expenditures as approved by ABOR. These "locally" retained tuition monies are considered non-appropriated. Any remaining tuition collections are then submitted as part of each university operating budget request and are available for appropriation by the legislature.

Analysis

Appropriated Tuition

Table 1 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2007 to FY 2008. ABOR policy is to set undergraduate resident tuition at the bottom one-third of all senior public universities.

Table 1

Arizona University System
FY 2007 to FY 2008 Undergraduate Tuition and Fees Changes

	Resident				Non-Resident			
	FY 2007	FY 2008	$ Change	% Change	FY 2007	FY 2008	$ Change	% Change
ASU- Main	$4,686	$4,969	$283	6.0%	$15,845	$17,001	$1,156	7.3%
ASU- East/West	4,444	4,766	322	7.2%	15,794	16,999	1,205	7.6%
NAU	4,546	4,841	295	6.5%	13,487	14,495	1,008	7.5%
UofA	4,754	5,037	283	6.0%	14,960	16,271	1,311	8.8%

Table 2 displays FY 2007 and FY 2008 appropriations by fund for the Arizona University System. The FY 2008 budget includes $443.1 million in tuition, which reflected tuition growth from new students, but not tuition rate increases. The higher tuition rates generated $25.3 million more than budgeted, for a total of $443.1 million.

Table 2

Arizona University System
FY 2007 and FY 2008 Appropriations (in millions)

	FY 2007	FY 2008 Before Tuition Increase	FY 2008 After Tuition Increase
General Fund	$ 963.9	$ 1,121.1	$ 1,121.1
Collections Fund	402.1	443.1	468.4
Total	**$1,366.0**	**$1,564.2**	**$1,589.5**

Table 3 presents FY 2008 appropriations estimates of the ABOR FY 2008 All Funds Operating Budget Report and resulting additional tuition revenues by campus. Of the $25.3 million in additional tuition, ASU received $12.2 million, U of A $10.9 million, and NAU $2.4 million.

Table 3

Arizona University System
FY 2008 Appropriations and Additional Tuition Revenues by Campus

Campus	FY 2008 Appropriation	FY 2008 All Funds Operating Budget	Additional Tuition
ASU – Main	$233,624,000	$225,004,500	$ 8,619,500
ASU – East	21,338,400	18,984,800	2,353,600
ASU – West	23,057,400	21,852,100	1,205,300
NAU	47,723,200	45,284,400	2,438,800
UofA - Main	128,539,700	117,667,200	10,872,500
UofA – Health Sciences Center	14,158,700	14,356,100	(197,400)
Total	**$468,441,400**	**$443,149,100**	**$25,292,300**

(Continued)

Table 4 provides some information on the uses of additional tuition revenues by campus. Attached, ABOR has provided further detail, including an expenditure breakdown.

Table 4

Arizona University System
Use of Additional Tuition Revenues by Campus

ASU-Main $1.1 million to hire new faculty to improve student/faculty retention and ratios;
$1.1 million for faculty start up costs;
$2.8 million for utilities inflationary increases;
<u>$3.6</u> million for ERE rate and premium increases.
$8.6 Total

ASU- East $1.5 million to hire new faculty to improve student/faculty retention and ratios;
$0.3 million for faculty start up costs;
<u>$0.5</u> million for instructional support.
$2.3 Total

ASU- West $0.7 million to hire new faculty to improve student/faculty retention and ratios;
<u>$0.5</u> million for instructional support.
$1.2 Total

NAU $0.2 million for faculty promotions;
$0.8 million for instructional program investments;
$0.2 million for research support;
$0.2 million for IT investment for student services;
$1.0 million for institutional support: including information security; budget
<u>   </u> system personnel, and institutional investments.
$2.4 Total

UofA $0.7 million for general education and psychology program support;
$1.1 million for standard adjustments and enrollment funding;
$1.5 million to colleges for differential tuition revenue;
$1.0 million for research development;
$0.7 million for academic support;
$3.7 million for ERE rate increases;
$1.5 million for utility rate increases;
<u>$0.6</u> million for office of external relations.
$10.8 Total

<u>Locally Retained Tuition and Fees Report</u>

Systemwide, locally retained tuition and fees total $354.3 million in FY 2008, which is an increase of $31.1 million above FY 2007 budgeted amounts. *Table 5* shows that $18.7 million of the increase is allocated to financial aid, $2.6 million allocated to the universities designated expenditures, and $0.8 million allocated to auxiliary expenditures. Auxiliary funds consist of monies collected from sales and services from substantially self-supporting activities such as residence halls, whereas designated funds consist of tuition and fees retained by the universities, summer session fees, administrative costs of student aid, and unrestricted gifts. Of the remaining monies, $3.5 million will be used to pay debt service, and $5.5 million will be used for the Plant Fund, which is used to service building facilities.

Table 5

Arizona University System
Locally Retained Tuition and Fees

	FY 2007	FY 2008	FY 2008 Change
Designated			
ASU-sMain	$11,027,600	$11,604,300	$576,700
ASU- East	1,300,100	1,382,900	82,800
ASU-West	189,000	189,000	-
NAU	2,723,100	3,286,900	563,800
UofA	12,822,200	14,224,900	1,402,700
Designated Subtotal	28,062,000	30,688,000	2,626,000
Auxiliary			
ASU-Main	2,464,200	2,516,300	52,100
ASU- East	-	-	-
ASU-West	-	-	-
NAU	2,009,900	2,194,900	185,000
UofA	6,531,700	7,129,000	597,300
Auxiliary Subtotal	11,005,800	11,840,200	834,400
Financial Aid			
ASU-Main	88,375,400	98,250,700	9,875,300
ASU- East	3,836,200	4,443,100	606,900
ASU-West	6,754,300	8,430,500	1,676,200
NAU	27,419,600	28,934,900	1,515,300
UofA	79,006,800	84,040,200	5,033,400
Financial Aid Subtotal	205,392,300	224,099,400	18,707,100
Debt Service	69,769,400	73,218,000	3,448,600
Plant Fund	8,959,800	14,459,800	5,500,000
Total	**$323,189,300**	**$354,305,400**	**$31,116,100**

RS:AS/ss

Arizona State University   *Northern Arizona University*   *University of Arizona*

RECEIVED
SEP 0 6 2007
JOINT BUDGET
COMMITTEE

September 4, 2007

The Honorable Russell K. Pearce, Chairman
Joint Legislative Budget Committee
House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Pearce:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents submit an expenditure plan to the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the legislature, and all tuition and fee revenues retained locally by the universities. Enclosed for your information is a summary report of tuition revenues that support the FY 2008 state operating budget as reported to the Board at its August 2007 meeting, and university tuition and fees expenditure plans.

If you have any questions, please do not hesitate to call me at 229-2505.

Sincerely,

Joel Sideman
Executive Director

xc: Senator Robert L. Burns
Richard Stavneak, Director, JLBC
James Apperson, Director, OSPB

ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2007-08 STATE OPERATING BUDGET

	STATE COLLECTIONS		
	AS REPORTED IN THE 2007-08 INITIAL ALL FUNDS OPERATING BUDGET REPORT	2007-08 APPROPRIATIONS REPORT	CHANGE
Arizona State University Tempe	233,624,000	225,004,500	8,619,500
Arizona State University Polytechnic	21,338,400	18,984,800	2,353,600
Arizona State University West	23,057,400	21,852,100	1,205,300
Northern Arizona University	47,723,200	45,284,400	2,438,800
University of Arizona	128,539,700	117,667,200	10,872,500
University of Arizona Health Sciences Center	14,158,700	14,356,100	(197,400)
TOTAL	468,441,400	443,149,100	25,292,300

ARIZONA STATE UNIVERSITY at the TEMPE Campus
FY08 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY08 Initial All Funds Report	$233,624,000	$153,464,500
As Reported in the FY08 Appropriations Report	225,004,500	
Amount Reportable	8,619,500	153,464,500

ALLOCATIONS BY PROGRAM

Instruction		
Faculty Hiring to Improve S/F Ratios and Retention	1,056,400	
Faculty Start Up	1,108,700	
Local Account Operating Support		8,653,300
Organized Research		
Public Service		
Academic Support		
Local Operating Budget Support		372,500
Student Services		
Local Account Operating Support		2,125,500
Institutional Support		
Utilities Inflationary Increases	2,842,900	
Unfunded ERE Rate and Premium Increases	3,611,500	
Local Account Operating Support		453,000
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		28,134,900
ABOR Topo 15% High School Graduates		8,134,200
All Other Financial Aid		61,981,600
Auxiliary Enterprises		
Auxiliary Operating Support		2,516,300
Debt Service		
Debt Service Payments		30,235,500
Plant Funds		
Minor Capital Project Set Aside		10,857,700
	$8,619,500	$153,464,500

ARIZONA STATE UNIVERSITY - TEMPE CAMPUS

		FINAL 2006-07	INCREASE/ (DECREASE)	INITIAL BUDGET 2007-08
D E S I G N A T E D	American English and Cultural Program - ITA	98,900	6,600	105,500
	Associated Students - ASASU	906,600	129,000	1,035,600
	Child & Family Services	71,000	4,600	75,600
	Constituent Advocacy	150,000		150,000
	Distance Learning Technology	372,500		372,500
	Federal Direct Loan Administration	164,200	9,400	173,600
	Fine Arts Activities	297,300	10,600	307,900
	Fine Arts Theatres	576,900	29,000	605,900
	Forensics	106,100		106,100
	Interpreters Theatre	35,700		35,700
	KASR Radio	22,000		22,000
	Mona Plummer Aquatic Center	141,900		141,900
	Special Events	175,000	1,800	176,800
	Student Affairs Initiatives	275,000	800	275,800
	Student Financial Assistance Administration	394,600	28,400	423,000
	Teaching Assistant Tuition Benefit	6,923,400	346,800	7,270,200
	University Minority Culture Program	126,200		126,200
	Employee Benefit Adjustments/Contingencies	190,300	9,700	200,000
	Subtotal Designated	11,027,600	576,700	11,604,300
A U X I L I A R Y	ASU Public Events	0		0
	Intercollegiate Athletics-	560,000		560,000
	Memorial Union	1,096,300	32,900	1,129,200
	Recreational Sports	807,900	19,200	827,100
	Student Media	0		0
	Subtotal Auxiliary	2,464,200	52,100	2,516,300
	Total Operating Funds	13,491,800	628,800	14,120,600
F I N A I D	Regents Financial Aid Set-Aside	26,175,600	1,959,300	28,134,900
	Other Financial Aid - Top 15% AZ HS Grad	7,746,100	388,100	8,134,200
	Other F.A.- Institutional FA (formerly tuition waivers)	51,719,200	5,526,100	57,245,300
	Other Financial Aid - CRESMET/CONACY/NEEP	371,400		371,400
	Other F.A.- Graduate Scholars Program	600,000		600,000
	Graduate Fellowship Program	300,000	1,500,000	1,800,000
	Student Technology Fee FA Set-Aside		501,500	501,500
	Other F.A - School of Engineering Program	60,000		60,000
	College of Design FA Set-Aside	50,900	(5,500)	45,400
	College of Business FA Set-Aside	407,500	(23,800)	383,700
	School of Engineering FA Set-Aside	218,800	20,900	239,700
	College of Law FA Set-Aside	648,000	15,700	663,700
	College of Liberal Arts FA Set-Aside	51,200	(10,800)	40,400
	College of Nursing FA Set-Aside	26,700	3,800	30,500
	Subtotal Financial Aid	88,375,400	9,875,300	98,250,700
	Plant Fund	5,357,700	5,500,000	10,857,700
	Debt Service	28,222,400	2,013,100	30,235,500
	TOTAL LOCAL RETENTION	135,447,300	18,017,200	153,464,500

ARIZONA STATE UNIVERSITY at the POLYTECHNIC Campus
FY08 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY08 Initial All Funds Report	$21,338,400	$5,826,000
As Reported in the FY08 Appropriations Report	18,984,800	
Amount Reportable	2,353,600	5,826,000
ALLOCATIONS		
Instructional		
Faculty Hiring to Improve S/F Ratios and Retention	1,540,600	
Faculty Start Up	330,000	
Local Account Operating Support		131,700
Student Services		
Local Account Operating Support		1,251,200
Institutional Support		
Utilities Inflationary Increases	84,000	
Unfunded ERE Rate and Premium Increases	216,500	
OASIS Project Cost Share	182,500	
Local Account Operating Support		
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		2,652,100
ABOR Topo 15% High School Graduates		196,200
All Other Financial Aid		1,594,800
Auxiliary Enterprises		
Auxiliary Operating Support		
Debt Service		
Debt Service Payments		n/a
Plant Funds		
Minor Capital Project Set Aside		n/a
	$2,353,600	$5,826,000

ARIZONA STATE UNIVERSITY - POLYTECHNIC CAMPUS

		FINAL 2006-07	INCREASE/ (DECREASE)	INITIAL BUDGET 2007-08
D E S I G N A T E D	Career Services		48,900	48,900
	Dining Services Management	20,000	18,000	38,000
	Intercampus Shuttle Services	106,000	(70,000)	36,000
	Learning Communities	6,500		6,500
	Student Counseling	5,000		5,000
	Student Health Services	225,000		225,000
	Student Organizations	41,000	(20,000)	21,000
	Student Orientation and Forums	5,000	5,600	10,600
	Student Recreation/Intramurals	207,500	94,000	301,500
	Student Union/Activities	558,700		558,700
	Teaching Assistant Tuition Benefit	125,400	6,300	131,700
	Subtotal Designated	1,300,100	82,800	1,382,900
A U X I L I A R				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	1,300,100	82,800	1,382,900
F I N A I D	Regents Financial Aid Set-Aside	2,189,200	462,900	2,652,100
	Morrison School of Mgt & Agrbusiness FA Set-Aside	35,500	(900)	34,600
	Other Financial Aid - Top 15% AZ HS Grad	186,900	9,300	196,200
	Other F.A.- Institutional FA (formerly tuition waivers)	1,424,600	135,600	1,560,200
	Subtotal Financial Aid	3,836,200	606,900	4,443,100
	Plant Fund			
	Debt Service			
	TOTAL LOCAL RETENTION	5,136,300	689,700	5,826,000

ARIZONA STATE UNIVERSITY at the WEST Campus
FY08 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY08 Initial All Funds Report	$23,057,400	$13,603,900
As Reported in the FY08 Appropriations Report	21,852,100	
Amount Reportable	1,205,300	13,603,900

ALLOCATIONS BY PROGRAM

Instruction		
Faculty Hiring to Improve S/F Ratios and Retention	714,900	
Local Account Operating Support		99,200
Organized Research		
n/a		n/a
Public Service		
n/a		n/a
Academic Support		0
Student Services		
Local Account Operating Support		65,000
Institutional Support		
Utilities Inflationary Increases	67,500	
Unfunded ERE Rate and Premium Increases	422,900	
Local Account Operating Support		24,800
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		4,314,600
ABOR Topo 15% High School Graduates		3,433,200
All Other Financial Aid		682,700
Auxiliary Enterprises		
Auxiliary Operating Support		0
Debt Service		
Debt Service Payments		4,884,400
Plant Funds		
Minor Capital Project Set Aside		100,000
	$1,205,300	$13,603,900

ARIZONA STATE UNIVERSITY - WEST CAMPUS

		FINAL 2006-07	INCREASE/ (DECREASE)	INITIAL BUDGET 2007-08
D E S I G N A T E D	Academic Affairs	5,200		5,200
	Alumni Association - Devil's West	0		0
	Arts & Sciences Support	0		0
	ASU West Commencement	15,000		15,000
	ASUW Film Series	0		0
	ASUW Fine Arts Program	60,000		60,000
	Campus Environment Team	4,800		4,800
	Child Development & Visual Perception Lab	16,000		16,000
	Honors College	3,000		3,000
	Life Science Instructional Support	0		0
	Special Events	20,000		20,000
	Student Government	65,000		65,000
	Subtotal Designated	189,000	0	189,000
A U X I L I A R Y				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	189,000	0	189,000
F I N A I D	Regents Financial Aid Set-Aside	4,053,700	260,900	4,314,600
	Other Financial Aid-Top 15% AZ HS Grad	517,500	25,900	543,400
	Other F.A.- Institutional FA (formerly tuition waivers)	2,144,900	1,288,300	3,433,200
	School of Global Mgt & Leadership FA Set-Aside	38,200	(11,400)	26,800
	School of Global Mgt & Leadership FA Set-Aside	0	90,000	90,000
	College of Teacher Education & Leadership FA Set-Aside		22,500	22,500
		0		
	Subtotal Financial Aid	6,754,300	1,676,200	8,430,500
	Plant Fund	100,000		100,000
	Lease Purchase	4,884,400		4,884,400
TOTAL LOCAL RETENTION		11,927,700	1,676,200	13,603,900

NORTHERN ARIZONA UNIVERSITY
FY08 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY08 Initial All Funds Report	$47,723,200	$50,570,600
As Reported in the FY08 Appropriations Report	45,284,400	
Amount Reportable	2,438,800	50,570,600
ALLOCATION BY PROGRAM		
Instruction		
Faculty Promotions	216,400	
Instructional Program Investments (Additional Instructional Hiring, Yuma Faculty, NCATE and Other Accreditation))	797,400	
Local Account Operating Support Difference (See LRT for detail)		1,347,600
Organized Research		
Vice President for Research Support	230,000	
Public Service		
n/a		
Academic Support		
n/a		
Student Services		
Vista Information Technology Investment	200,000	
Local Account Operating Support		1,197,100
Institutional Support		
Information Security	150,000	
Budget System personnel and implementation	240,000	
Institutional Investments (Auditor, Compliance, Legal, Engineer)	605,000	
Local Account Operating Support		742,200
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		8,500,500
Set-Aside for Acad Meritorious AZ Residents		40,000
All Other Financial Aid		20,394,400
Auxiliary Enterprises		
Student Auxiliary Operating Support		2,194,900
Debt Service		
Debt Service Payments		14,775,700
Plant Funds		
		1,378,200
	$2,438,800	$50,570,600

NORTHERN ARIZONA UNIVERSITY

	FINAL 2006-07	INCREASE/ (DECREASE)	INITIAL BUDGET 2007-08
DESIGNATED			
ADA Services	100,000	80,000	180,000
Art Gallery	10,900		10,900
Child Care	43,900		43,900
Creative Arts	58,900		58,900
Employee Benefit Adjustments/Contingencies	100,000		100,000
Financial Aid Office Operations	337,300		337,300
Graduate Assistant Tuition Remission	302,400	370,000	672,400
Graduate Operations Support	8,000		8,000
Honors Forum	11,200		11,200
International Studies	260,000		260,000
Mountain Campus ID	13,200		13,200
NAU-Yuma	19,900		19,900
Operations - Credit Card Fees	550,800	50,000	600,800
Performing Arts Series	39,900		39,900
Registrar Office	112,400		112,400
School of Comm Student Radio, Cable & Forensics	30,200		30,200
Special Events	28,300		28,300
Student Activities	294,200	(4,700)	289,500
SUN (Student Union Network)	65,800		65,800
Tuition Differential/Program Fee - GIS	0		0
Tuition Differential/Program Fee - MAdm	212,500	55,300	267,800
Tuition Differential/Program Fee - MBA	0	29,800	29,800
Tuition Differential/Program Fee - MEng	0	35,700	35,700
Tuition Differential/Program Fee - MSM	17,000	(14,000)	3,000
Tuition Differential/Program Fee - Doctor of Physical Therapy (DPT)	106,300	(38,300)	68,000
Subtotal Designated	2,723,100	563,800	3,286,900
AUXILIARY			
Associated Students (ASNAU)	188,300		188,300
Intercollegiate Athletics *	1,600,000	135,000	1,735,000
Intramurals/Recreation	63,700		63,700
Skydome	157,900	50,000	207,900
* Change of fund source, not change in funding level			
Subtotal Auxiliary	2,009,900	185,000	2,194,900
Total Operating Funds	4,733,000	748,800	5,481,800
FIN AID			
Regents Financial Aid Set-Aside	7,820,000	680,500	8,500,500
Set-Aside for Academically Meritorious AZ Residents	40,000		40,000
DPT- FA Set-Aside	18,700	(6,800)	11,900
MAdm - FA Set-Aside	37,500	9,800	47,300
MBA - FA Set-Aside	0	5,300	5,300
MEng - FA Set-Aside		6,300	6,300
MSM - FA Set-Aside	3,000	(2,500)	500
Student Financial Aid Match (SSIG, SEOG, etc.)	318,400		318,400
Other Financial Aid - (formerly tuition waivers)	19,182,000	822,700	20,004,700
Subtotal Financial Aid	27,419,600	1,515,300	28,934,900
Plant Fund	1,378,200	0	1,378,200
Debt Service	13,840,200	935,500	14,775,700
TOTAL LOCAL RETENTION	47,371,000	3,199,600	50,570,600

UNIVERSITY OF ARIZONA
FY08 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
As Reported in the FY08 Initial All Funds Report	$142,698,400	$130,840,400
As Reported in the FY08 Appropriations Report	132,023,300	
Amount Reportable	10,675,100	130,840,400
ALLOCATION BY PROGRAM		
Instruction		
Physiology Program Support	100,000	
General Education Support	590,000	
Standard & Retirement Adjustments Offset	202,900	
22:1 Enrollment Growth Adjustments Offset	942,700	
Support to Colleges from Differential Tuition Revenue	1,477,600	
Local Account Operating Support		1,441,800
Organized Research		
Research Development	1,000,000	
Public Service		
n/a		
Academic Support		
NCA Review	120,000	
Campus Diversity & Academics	230,000	
Academic Advising	300,000	
Local Account Operating Support		524,200
Student Services		
Local Account Operating Support		8,773,300
Institutional Support		
Unfunded Employee Related Expenditure Rate Increases	3,701,900	
Unfunded Utility Rate Increases	1,430,000	
Office of External Relations	580,000	
Local Account Operating Support		4,606,300
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		15,162,600
Student Aid Awards (formerly waivers)		61,840,000
Graduate Assistant Tuition Remission		6,388,300
All Other Financial Aid		6,657,600
Auxiliary Enterprises		
Auxiliary Operating Support		
Debt Service		
Debt Service Payments		23,322,400
Plant Funds		
Minor Capital Project Set Aside		2,123,900
	$10,675,100	$130,840,400

UNIVERSITY OF ARIZONA

		FINAL 2006-07	INCREASE/ (DECREASE)	INITIAL BUDGET 2007-08
D E S I G N A T E D	College of Nursing - Accelerated BSN	427,300	21,400	448,700
	Multicultural Affairs and Student Success (M.A.S.S.)			
	Admissions Recruiting	101,900	250,700	352,600
	African American Student Affairs	21,100	100	21,200
	Asian Pacific American Student Affairs	16,500	0	16,500
	Early Outreach	19,700	100	19,800
	Hispanic Student Affairs	8,600	0	8,600
	Minority Student Recruitment	177,000	700	177,700
	Minority Summer Institute for Writing	12,900	200	13,100
	Multicultural Programs	136,800	700	137,500
	Native American Student Affairs	11,300	100	11,400
	Fall Transition/University Learning Center	15,500	(1,500)	14,000
	FM Student Recreation O&M	250,000	1,300	251,300
	Graduate Teaching Assistants -Tuition Remission	5,637,600	750,700	6,388,300
	Graduate College	173,600	800	174,400
	Graduate and Professional Student Council	63,000		63,000
	Interpreting/Disabilities (ADA)	151,000	1,300	152,300
	Law College Special Fee	920,500	1,100	921,600
	Learning Disabilities Mandated Services	361,700	2,400	364,100
	Library Acquisitions	461,200	0	461,200
	Merchant Credit Card Banking Fees	1,433,200	300,000	1,733,200
	Special Education Fee Waiver	564,500		564,500
	Student Child Care Voucher Program	87,500		87,500
	Student Travel Support	60,100		60,100
	VP Student Affairs	4,500	43,800	48,300
	Utility Costs Reserve	1,705,200	28,800	1,734,000
	Subtotal Designated	12,822,200	1,402,700	14,224,900
A U X I L I A R Y	Associated Students (ASUA)	330,200	700	330,900
	Campus Health Service	4,240,600	(17,900)	4,222,700
	Campus Recreation and Intramurals	580,100	(12,000)	568,100
	Student Faculty Relations	6,700		6,700
	Student-Related Activities	47,300	200	47,500
	Student Programs	58,700	626,800	685,500
	Student Union	1,268,100	(500)	1,267,600
	Subtotal Auxiliary	6,531,700	597,300	7,129,000
	Total Operating Funds	19,353,900	2,000,000	21,353,900
	Regents Financial Aid Set-Aside	13,810,100	1,091,000	14,901,100
	UAS (SV) - Regents FA Set-Aside	273,300	(11,800)	261,500
	Supplemental Need-Based Set-Aside	1,893,700	(810,700)	1,083,000
	Other Financial Aid - (formerly tuition waivers)	57,342,400	4,497,600	61,840,000
	Architecture (Grad) FA Set-Aside	3,400		3,400
	Architecture (UG) FA Set-Aside	10,000		10,000
	Eller MBA FA Set-Aside	299,900		299,900
	Eller (UG) FA Set-Aside	142,600		142,600
	Engineering (UG) FA Set-Aside	78,500	2,500	81,000
	Graduate Scholarships	380,000	0	380,000
	Law School FA Set-Aside	530,200	51,600	581,800
	COM FA Set-Aside	189,700	123,800	313,500
	Pharmacy FA Set-Aside	314,500	28,800	343,300
	Planning FA Set-Aside	1,800	7,400	9,200
	Public Health FA Set-Aside	6,000	3,800	9,800
	Undergraduate Scholars	3,619,300		3,619,300
	Nursing Special Fee FA	37,500	15,900	53,400
	SIRLS Special Fee FA	73,900	33,500	107,400
	Subtotal Financial Aid	79,006,800	5,033,400	84,040,200
	Plant Fund	0	0	0
	Utility Infrastructure	2,123,900		2,123,900
	Subtotal Plant Funds	2,123,900	0	2,123,900
	Debt Service	22,822,400	500,000	23,322,400
	TOTAL LOCAL RETENTION	123,307,000	7,533,400	130,840,400

STATE OF ARIZONA

Joint Legislative Budget Committee

DATE: September 13, 2007

TO: Representative Russell Pearce, Chairman
                 Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Third Party Progress Report

Request

The Arizona Department of Transportation (ADOT) requests review of its quarterly progress report regarding increasing third party transactions. Motor Vehicle Division (MVD) third parties allow the public to conduct certain MVD transactions through private sector third party entities instead of using MVD customer service offices. With the exception of traffic survival schools, ADOT continues to increase its number of third parties.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the fourth quarter report, given the progress ADOT is making in increasing its use of third parties and reducing the quality assurance backlog. The next semiannual report on third party quality assurance is due by January 30, 2008.

Analysis

Third Party Title Transactions Quality Assurance
The section's backlog of title transactions decreased from 16 business days in the third quarter of FY 2007 to 11 business days (down from 31 business days in FY 2006), due to a 1-year pilot project, begun on April 1, 2007, for a new statistical sampling method that cut the percentage of third party work that was reviewed by MVD quality assurance from 10% to 4%. The Committee asked, at its May 10, 2007 meeting, that ADOT provides a progress report on their 1-year pilot project by April 30, 2008.

ADOT removed the moratorium on new title transaction third parties in FY 2006 and is processing applications for 93 entities, including both those on the former waiting list and new applicants who are interested in becoming third parties. There are currently 101 existing third parties, including 41 new offices that have opened in FY 2007.

(Continued)

Third Party Vehicle Identification Number Inspections
ADOT removed the moratorium on new vehicle identification number third parties in FY 2006 and is processing applications for 90 entities, including both those on the former waiting list and new applicants who are interested in becoming third parties. There are currently 444 existing third parties, including 99 new offices that have opened in FY 2007.

Third Party Driver Schools
ADOT removed the moratorium on new commercial and non-commercial driver schools and driver license examiners in FY 2006, and has eliminated the waiting list.

MVD licenses traffic survival schools and certifies instructors. Their approved staffing has not changed from FY 2005. Drivers with certain traffic violations are required by MVD or a court to attend and successfully complete a traffic survival school in order to avoid driver license suspension. There are 77 traffic survival school third parties and 58 entities are on the waiting list. ADOT has requested 2 new FTE Positions in FY 2009 to remove the moratorium and eliminate the waiting list for traffic survival school third parties.

High school driver education is administered by the Department of Education. MVD licenses the driver education instructors. There are 76 high school driver education third parties. There is no high school driver education waiting list.

RS/BH:ss

Arizona Department of Transportation

Office of the Director
206 South Seventeenth Avenue   Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

Richard Travis
Deputy Director

September 6, 2007

The Honorable Russell Pearce
Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Representative Pearce:

Pursuant to Laws of 2006, Chapter 344, Section 32, please find the Department's FY 2007 fourth quarter progress report on the Third Party Program.

This last report of the fiscal year provides an excellent opportunity to recap some of our more notable achievements since 7/1/06. They are:

- ✓ Increased transactions handled by Third Party Offices (+12%)
- ✓ Increased response time for quality assurance e-mail inquiries (+79%)
- ✓ Decrease in T&R backlog (-82%)
- ✓ Third Party Offices opened (+41)

We look forward to improving upon our success in FY 2008.

If you have any questions about the information contained in this report, please contact Melissa Wynn at 602-712-8981.

Sincerely,

Victor M. Mendez

Attachment
cc: Senator Robert Burns, Vice-Chairman, JLBC
       Richard Stavneak, Director, JLBC
       James Apperson, Director, OSPB
       Bob Hull, Principal Research/Fiscal Analyst, JLBC
       Marcel Benberou, Principal Budget Analyst, OSPB

THIRD PARTY PROGRAM
FY 2007 Fourth Quarterly Report

Authorized **Third Parties** are regulated under A.R.S. Title 28 Chapter 13. These entities have a _contract_ with the Division and offer the same services that are offered in Division field offices.

I. Title and Registration Third Parties

Title and Registration Third Parties (Traditional Third Parties) have a physical "brick and mortar" structure that offers the public most, if not all, services a Division field office provides. Title and Registration Third Parties are connected directly to the Division's title and registration and driver license databases, which allows them to process transactions online in the convenience of their own offices. Title and Registration Inspection Third Parties conduct Verification of Vehicle Inspections, which require a visual inspection of the vehicle and the manual completion of the Verification of Vehicle Inspection form. Title and Registration Inspection Third Parties do not process transactions online.

A. Title and Registration Third Party

- **Title and Registration Third Party Transactions:**

3rd Party Transactions				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
_FY 2006_	374,190	327,112	381,926	363,047
_FY 2007_	347,679	367,954	369,237	390,471

12% increase in third party title transactions over first quarter FY 2007.

- **Title and Registration Third Party Staffing:**

The Third Party Management Support Unit (Quality Assurance) has a total of 43 positions (29 FTEs, 13 limited, and 1 seasonal). In the fourth quarter of FY 2007, 37 positions were filled. The 6 vacant positions are in the process of being filled.

Q/A Staff – Filled Positions				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
_FY 2006_	16	17	22	19
_FY 2007_	25	30	37	37

- **Title and Registration Third Party Workload:**

Number of Third Party Transactions Reviewed				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
_FY 2006_	41,829	50,673	57,592	50,010
_FY 2007_	44,833	55,008	60,275	52,813

18% increase for reviewed transactions over the first quarter of FY 2007.

Average Number of Reviews Per Employee Per Month				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	1,092	1,876	1,600	1,667
FY 2007	1,359	1,834	1,674	1,354

.4% decrease for the number of reviews per employee over first quarter of FY 2007.

Average Number of Responses to E-Mail Inquiries				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	2,600	2,657	3,235	3,183
FY 2007	2,900	3,183	4,235	5,204

79% increase for the number of e-mail responses pertaining to quality assurance review over first quarter of FY 2007.

- **Title and Registration Third Party Backlog:**

Backlog in Business Days				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	41	39	31	13
FY 2007	20	20	16	11

Backlog in Title Transactions				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	38,604	37,286	39,930	19,531
FY 2007	23,090	19,579	12,965	4,091

During the fourth quarter of FY 2007, there was an 11-business day backlog of 4,091 title transactions. This is an 82% decrease in the backlog from first quarter of FY 2007.

MVD initiated a new sampling technique (Official Reduction in Sampling Pilot Project) on January 27, 2007. The new sampling technique requires 3 to 4% of the third party transactions submitted to be checked, compared to the previous level of 10%. Using this new technique has greatly reduced the backlog. MVD anticipates that continuing to use this sampling technique will result in complete elimination of the backlog.

- **Title and Registration Third Party Moratorium on Accepting New Title and Registration Third Parties:**
  As of June 30, 2007, there are 101 Title and Registration Third Party locations that include 41 new locations opened since lifting

the moratorium in July 2006. There are an additional 93 in the implementation process. If all 93 complete the implementation process, there will be 194 Title and Registration Third Party locations.

The implementation process consists of four phases. The status of applicants in each phase as of the end of the fourth quarter of FY 2007 is:

Phase 1: New applicants - Submission of business and site plans
Status: MVD is awaiting business plans from 35 applicants and site plans on 16 locations.

Phase 2: Selection Panel reviews new applicants; existing third parties submit site plans for additional locations
Status: The Selection Panel has approved 42 new applicants, totaling 82 new locations. Thirty-six of the 52 locations submitted by 15 existing third parties have been approved.

Phase 3: Implementation stage – site selection; set –up of
hardware and network equipment, bank account, supplies, training
Status: All of the 42 new applicants approved to date have begun implementation in Phase 3. Thirteen of the 15 existing third parties, adding 42 new locations, have begun the Phase 3 process.

Phase 4: Third party opens for business
Status: A total of 41 new third party locations have opened as of June 30, 2007.

B. **Title and Registration Third Party Inspections**

- **Title and Registration Third Party Inspection Transactions**:

3rd Party Inspection Transactions				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	38,937	40,988	43,802	42,191
FY 2007	37,647	40,751	43,195	39,328

4.5% increase in third party inspections over first quarter of FY 2007. This figure will vary depending on the number of vehicles requiring inspections.

- **Title and Registration Third Party Inspection Staffing:**
In the fourth quarter of FY 2007, all four of the four Third Party Inspection Program FTEs were filled.

Inspection Staff – Filled Positions				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	1	2	2	2
FY 2007	2	2	3	4

- **Title and Registration Third Party Inspection Workload:**

  Third Party Inspection Reconciliation Reports contain inventory usage information of each Third Party Inspection Company and are reviewed monthly.

Reconciliation Reports Reviewed				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	1,125	1,122	1,113	1,093
FY 2007	1,098	1,161	1,232	1,318

  20% increase in reconciliations reviewed over first quarter of FY 2007.

- **Title and Registration Third Party Inspection Moratorium on Accepting New Inspection Third Parties:**

  There are currently 444 Third Party Inspection Companies that represent 99 new locations opened since lifting the moratorium in July 2006. There are an additional 90 locations in the implementation process.

II. Driver License Examination/Professional Driving Schools

A. Driver License Examination (DLE) contractors are third parties and are regulated under Title 28. These contractors are only authorized to perform the same driver license examination that is conducted in a Division field office – CDL, Non-commercial or Motorcycle. An applicant must still go to a Division field office, or a traditional third party in some instances, to complete the process and be issued a credential.

- **Driver License Examination Transactions:**

	Commercial				Non-Commercial			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	2,507	2,422	2,251	2,616	579	592	7230	769
FY 2007	3,085	2,651	2,679	2,751	672	524	562	337

  11% decrease in commercial driver license examination score sheets processed compared to first quarter of FY 2007; 50% decrease in non-commercial driver license examination score sheets processed compared to first quarter of FY 2007.

*Note: The overall decrease in non-commercial DLE transactions is due to a reduction in contracted examiners. Several examiners declined to accept the Division's new electronic requirements and chose to discontinue this activity.

- **Driver License Examination Staffing:**

One of the three Driver License Examination (DLE) FTE positions was vacant as of 6/30/07.

Driver License Examination (DLE) staff status

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	1	1	3	3
FY 2007	3	2	2	2

- **Driver License Examination Workload:**

Number of Driver License Examination score sheets entered per quarter for FY 2006 and 2007 is exactly the same as the number of Driver License Examination transactions above.

Number of Driver License Examination score sheets reviewed

	Commercial				Non-Commercial			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	0	2,616	0	0	0	769
FY 2007	3,085	2,651	2,679	2,751	672	524	562	337

Average number of Driver License Examination score sheet reviews per employee per month

	Commercial				Non-Commercial			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	0	436	0	0	0	128
FY 2007	514	442	447	458	112	87	94	56

Driver License Examination Audit reviews completed

	Commercial				Non-Commercial			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	25	26	36	27	1	0	0	0
FY 2007	21	14	19	30	0	0	0	0

- **Driver License Examination Backlog:**

Backlog is defined as work which has been received, is still within statutory timeframe for processing, but not yet completed. Using this definition, there is no Driver License Examination backlog.

B. Professional Driver Training Schools (PDS) are regulated under A.R.S. Title 32 Chapter 23 and are not considered third parties. The Division *licenses* Professional Driver Training Schools. The license is valid until the end of the calendar year and must be renewed annually. Professional Driver Training

Schools train students how to operate a motor vehicle (commercial [CDL], automobile or motorcycle), or "offer training and educational sessions that are designed to improve the habits of drivers" (Traffic Survival School). Standard PDSs are allowed to issue a Certificate of Completion (CoC) that waives the requirement for the applicant to take the examination at a Division field office or T&R third party office. Professional Driver Training Schools that teach commercial drivers do not issue certificates of completion. Traffic Survival Schools issue a CoC that, when presented to the Division, is evidence that the individual attended an assigned class and met the requirements of law.

- **Professional Driver Training School Transactions:**

	/------------ Commercial------------/				/------------Non-Commercial---------/			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	0	0	6,821	6,239	6,827	6,859
FY 2007	0	0	0	0	7,408	5,400	6,658	8,459

14% increase in non-commercial Professional Driver Training School certificates issued compared to first quarter of FY 2007.

- **Professional Driver Training School Staffing:**

During the third quarter all three of the Professional Driver school team FTEs were filled.

Professional Driver School (PDS) staff – Filled Positions

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	3	3
FY 2007	2	1	3	3

- **Professional Driver Training School Workload:**

The number of Professional Driver License certificates data entered are the same for all quarters in FY 2006 and 2007 as the number of transactions.

Number of Professional Driver School certificates reviewed

	/------------ Commercial------------/				/------------Non-Commercial---------/			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	0	0	0	0	0	6,859
FY 2007	0	0	0	0	7,408	5,400	6,658	8,459

Average number of Professional Driving School CoC reviews per employee per month

	/------------ Commercial------------/				/------------Non-Commercial---------/			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	0	0	0	0	0	762
FY 2007	0	0	0	0	1,235	1,800	740	939

*Note: Now that the unit is fully staffed, the workload is being distributed accordingly.

Professional Driver Training School Audit reviews completed

	Commercial				Non-Commercial			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	0	0	0	0	2	0	1	2
FY 2007	0	0	0	0	2	4	4	0

- **Professional Driver Training School Backlog**
  There is no Professional Driving Training School backlog.

- **Professional Driver Training School Moratorium:**
  Motorcycle School Update – Expansion up to 15: Eleven schools have been licensed, and four applications are in process. Since the moratorium was imposed, 12 schools have been placed on the motorcycle waiting list.

  Commercial Driver License (CDL) Update - The waiting list for new CDL examiners and schools has been eliminated.

  Driving School Update – Since the response to the relaxing of the CDL moratorium is not as heavy as anticipated, management has allowed the program to use the available staff to relax the moratorium and offer driving schools an opportunity to become licensed until the workload begins to tax the staff. The non-commercial waiting list, excluding motorcycle schools, has also been eliminated.

Moratorium Waiting List

	Commercial				Non-Commercial			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	43	43	48	0	36	38	38	9
FY 2007	0	0	0	0	9	9	9	12

III. Traffic Survival School

- **Traffic Survival School Transactions:**

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	9,293	8,410	9,731	10,105
FY 2007	10,102	9,091	10,399	11,311

12% increase in Traffic Survival School certificates issued compared to first quarter of FY 2007.

- **Traffic Survival School Staffing:**

  Traffic Survival School Program received no additional staffing or funding, therefore the moratorium remains in place.

- **Traffic Survival School Workload:**

  Number of Traffic Survival School certificates data entered are the same as those is the transaction chart above.

  Traffic Survival School Audit reviews completed:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	6	7	10	16
FY 2007	4	3	10	6

- **Traffic Survival School Backlog:**
  There is no TSS backlog.

- **Moratorium on Accepting New Traffic Survival Schools:**

  There are currently 77 Traffic Survival Schools. The Traffic Survival School Program received no additional funding or staffing, therefore the moratorium remains in place.

  Traffic Survival School waiting list:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY 2006	49	49	49	51
FY 2007	55	55	59	58

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

HOUSE OF
REPRESENTATIVES

ROBERT L. BURNS
    CHAIRMAN 2008
PAULA ABOUD
AMANDA AGUIRRE
JAKE FLAKE
JORGE LUIS GARCIA
JACK W. HARPER
THAYER VERSCHOOR
JIM WARING

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

RUSSELL K. PEARCE
    CHAIRMAN 2007
KIRK ADAMS
ANDY BIGGS
TOM BOONE
OLIVIA CAJERO BEDFORD
LINDA J. LOPEZ
PETE RIOS
STEVE YARBROUGH

DATE: July 11, 2007

TO: Representative Russell Pearce, Chairman
                 Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Assistant Director

SUBJECT: Department of Education – Review of Research Based Models of Structured English
                 Immersion for English Language Learners

Request

Pursuant to A.R.S. § 15-756.01(F), the Arizona English Language Learners Task Force ("Task Force")
requests a favorable review of the draft Research Based Models of Structured English Immersion
("models"). The Task Force is required to submit the models to the Committee at least 30 days before
adopting them.

Summary

The Committee has at least the following 2 options regarding its review of the models:

1) A favorable review.
2) An unfavorable review.

At a subsequent meeting, the Committee also will review technical budgeting and accounting documents
developed by the Auditor General for 2 new funds created for this issue, which are the 1) Arizona
Structured English Immersion Fund and 2) Statewide Compensatory Instruction Fund. A review of those
documents by both the Task Force and Committee is required by A.R.S. §15-756.04(E) and 15-756.11(F).
The Task Force has not yet reviewed the documents. The Committee's review will occur thereafter.

Statute does not require the Task Force to develop cost estimates for the models and information needed
to make reliable independent estimates of those costs is not available. As a result, cost estimates for the
models do not currently exist. On a related note, the FY 2008 budget does not appropriate monies to the
Structured English Immersion Fund to fund the models. It does, however, appropriate in FY 2008 $14.3
million for a conditional increase in the English Learner Group B weight, $10.0 million for the English
Learner Compensatory Instruction Fund, and approximately $5.0 million for other English Learner
program costs.

(Continued)

The process for establishing the proposed models was instituted by Laws 2006, Chapter 4. That law seeks to address ongoing litigation in the "Flores" court case regarding English Learner funding.

Analysis

Laws 2006, Chapter 4 established the Arizona English Language Learners Task Force and required it to develop and adopt research based models of "Structured English Immersion" (SEI) for use by school districts and charter schools (A.R.S. § 15-756.01.C). By law, the models must conform to requirements specified in Chapter 4 and to the statutory definition of SEI established by Proposition 203 from the November 2000 General Election, which is as follows:

> "Sheltered English immersion" or "structured English immersion" means an English language acquisition process for young children in which nearly all classroom instruction is in English but with the curriculum and presentation designed for children who are learning the language. Books and instructional materials are in English and all reading, writing, and subject matter are taught in English. Although teachers may use a minimal amount of the child's native language when necessary, no subject matter shall be taught in any language other than English, and children in this program learn to read and write solely in English. This educational methodology represents the standard definition of "sheltered English" or "structured English" found in educational literature. (A.R.S.§15-751)

The Task Force consists of 9 members, including 3 appointed by the Superintendent of Public Instruction, and 2 each appointed by the Governor, President of the Senate, and Speaker of the House. In developing the models, the Task Force held 22 open meetings that featured extensive testimony from teachers, school administrators, stakeholder groups, consultants and Department of Education staff. Initial meetings of the Task Force focused on a review and analysis of statutory requirements for the models. Thereafter, it worked to develop principles and basic structures for them, and to fill in those structures through member discussion, debate, and outside input.

<u>Model Overview</u>

The draft models are summarized in *Attachment 1*. That document shows that the models appear to be more like "standards" than "models" in that they establish basic criteria for Structured English Immersion programs instead of describing alternative prototypes for Structured English Immersion programs. The draft models, however, do require the use of a highly detailed curriculum called the "Discrete Skills Inventory," which is currently being developed. That curriculum will help teachers teach existing state standards for English Learners, such as the standard that an "advanced" student will be able to "consistently read grade level text with at least 90% accuracy."

As shown in *Attachment 1*, the models consist of 3 components: 1) policy, 2) structure, and 3) classroom practices. Each of these components is discussed separately below.

Policy

The models incorporate the following 6 policies based on statutory requirements: 1) schools are to teach English, 2) materials and instructions are to be in English, 3) English Language Learners (ELLs) are to be grouped in a Structured English Immersion setting, 4) the goal is for students to become "fluent English proficient" in 1 year, 5) a minimum of 4 hours of English language development is to be provided per day during the student's first year as an ELL, and 6) models must be cost efficient, research based and compliant with all state and federal laws. These 6 policies all reflect statutory requirements for ELL instruction that are prescribed in A.R.S. §§15-751, 15-752 and 15-756.01(C).

(Continued)

Structure

The models address the following 7 issues regarding how ELL programs are to be structured: 1) classroom content, 2) entry and exit, 3) student grouping, 4) class size standards, 5) grouping process, 6) scheduling and time allocations, and 7) teacher qualifications. Model parameters for these 7 areas are summarized in *Table 2* of *Attachment 1* and, again, reflect statutory requirements in A.R.S. §§15-751, 15-752 and 15-756.01(C).

In some cases, model structures differ for elementary versus high school students. For "scheduling and time allocations," for example, they refer to "discrete time blocks" for elementary students versus "courses" for high school students. This is because high school students tend to change "courses" throughout a school day, whereas elementary school students do not.

Classroom Practices

Finally, the models address the following 8 issues pertaining to classroom practices: 1) language use, 2) classroom objective, 3) materials and testing, 4) instructional methods, 5) assessment, 6) implementation training, 7) discrete skills inventory training, and 8) discrete skills inventory teaching methods training. Model practices for each of these areas are summarized in *Table 3* of *Attachment 1*. These practices also reflect statutory requirements.

Implementation Costs

As noted above, the Task Force is not required to develop cost estimates for the models. It is required, however, to 1) establish procedures for determining their incremental costs, and 2) develop a form for schools to use in determining their maximum allowable budget request amounts from the Structured English Immersion Fund. The Task Force is required to address those issues pursuant to A.R.S. §15-756.01(H & I), but has not yet completed its work in those areas. By law, a school district or charter school's budget request from the Structured English Immersion Fund cannot exceed its incremental costs for implementing a model minus certain federal and state monies, such as English Learner "Group B weight" funding.

Although cost estimates for the models are not currently available, it appears that key "cost drivers" for them will pertain to 1) teacher training, and 2) class size standards and student groupings, as described below.

Teacher Training

As shown in *Table 3* of *Attachment 1*, the models require 3 types of training: 1) teachers and administrators who are responsible for administering ELL programs require training on policy, principles, structures, and classroom practices within the SEI models; 2) teachers and personnel who supervise instruction require training on the content of the Discrete Skills Inventory (DSI); and 3) teachers and personnel who supervise instruction require training on methods and strategies for teaching content of the DSI. The Task Force has not yet determined the total number of hours of training required or the training method to be used, so it is not feasible to generate reliable estimates of model training costs at this time.

On a related note, the models require ELL teachers to be "high qualified" in English, as defined by the federal No Child Left Behind Act of 2001. This means that a SEI teacher must have a Bachelor's degree, full state certification (except for charter school teachers) and demonstrates subject matter competency in English. This requirement could substantially increase demand for highly qualified English teachers, which might have budget implications. It also could disqualify some existing teachers from providing SEI instruction, which could result in teacher reassignment issues.

Class Size Standards and Student Groupings

As shown under "Class Size Standards" in *Table 2* of *Attachment 1*, the draft models set a target class size of 20 and maximum class size of 23 for ELLs with the lowest levels of English language proficiency ("preemergent" and "emergent" ELLs) and a target class size of 25 and maximum class size of 28 for ELLs with "basic" or "intermediate" levels of English language proficiency. In addition, the Models state that "class size [for ELLs] shall not exceed the class size for non-ELLs in the school district." Statewide data on average class sizes by district do not exist, so it is unclear how the prescribed class sizes would compare with current class sizes.

The models, however, also require students with similar levels of English language proficiency to be grouped together for instruction. This could increase instructional costs if situations arose under the models whereby students had to be grouped into more individual classrooms than would occur currently. In such cases, additional teachers and classrooms would be required, increasing instructional costs. The models appear to mitigate this effect by allowing students in more than one grade to be grouped together, as long as they have similar levels of English language proficiency. They also allow "emergent" and "basic" ELLs, for example, to be grouped into the same classroom in order to provide some flexibility in grouping students. The prescribed groupings, therefore, might have only a limited impact on instructional costs for ELLs. Their actual impact would depend on how schools in fact grouped students under the models, which would be a function of factors such as teacher and classroom availability and prescribed budgeting practices under the models, both of which are unknown at this time.

RS/SSc:ym
Attachment

SEI Model Summary Charts
JLBC Staff
7/10/2007

Note: Structured English Immersion (SEI) models include 1) policy, 2) structure and 3) classroom practices.

Table 1: Policy

Item	Elementary	Middle & High School
Policy 1	Schools are to teach English	
Policy 2	Materials and instructions are to be in English	
Policy 3	English language learners (ELLs) are to be grouped in a SEI setting	
Policy 4	Goal is to become "fluent English proficient" (FEP) in 1 year	(same as for Elementary)
Policy 5	Minimum of 4 hours of English language development (ELD) to be provided per day during student's first year as ELL	
Policy 6	Models must be cost efficient, research based, and compliant with all state and federal laws	

Table 2: Structure

Item	Elementary	Middle & High School
Classroom Content	Minimum of 4 hours of ELD per day	same
Entry & Exit	Determined solely by English proficiency test ("AZELLA") score	same
Student Grouping	Grouped primarily by English proficiency level; then by grade	Grouped primarily by English proficiency level *or sublevel*; then by grade
Class Size Standards	Target of 20 and maximum of 23 students per classroom for "pre-emergent" and "emergent" ELLs; target of 25 and maximum of 28 for "basic" and "intermediate" ELLs; "class size shall not exceed the class size for non-ELLs in the school district."	same
Grouping Process	Simultaneously apply "student grouping" and "class size standards;" group at next higher level if insufficient students exist for a given level	same
Scheduling & Time Allocations	4 hours of ELD per day divided into "discrete *time blocks*" by ELD area, such as "reading" and "grammar;" emphasis varies depending on student proficiency levels	4 hours of ELD per day in 4 discrete *courses*; courses vary depending on student proficiency levels
Teacher Qualifications	Standard *Elementary* Teaching Certificate; "highly qualified" in English; SEI, ESL or Bilingual endorsement	Standard *Secondary* Teaching Certificate; "highly qualified" in English; SEI, ESL or Bilingual endorsement

Table 3: Classroom Practices

Item	Elementary	Middle & High School
Language Use	All SEI classes shall be taught in English	
Classroom Objective	To teach skills identified in the "Discrete Skills Inventory" (DSI) that are appropriate for the English proficiency level of students in the class	
Materials and Testing	Must be aligned to Arizona K-12 English Learner Proficiency Standards (ELPS) and the DSI	
Instructional Methods	Must conform to teaching objectives outlined in the ELPS and DSI	
Assessment	Same as above	
Implementation Training	Teachers and administrators who are responsible for administering ELL programs require training on policy, principles, structures and classroom practices within the SEI models.	(same as for Elementary)
Discrete Skills Inventory Training	Teachers and personnel who supervise instruction require training on the content of the DSI.	
Discrete Skills Inventory Teaching Methods Training	Teachers and personnel who supervise instruction require training on methods and strategies for teaching content of the DSI.	

State of Arizona
Arizona English Language Learners Task Force

Alan Maguire, Chairman
John Baracy, Ph.D.
Jim DiCello, CPA, P.L.L.C.
Eugene Garcia, Ph.D.

Margaret Garcia Dugan, M.A.
Johanna Haver, M.A.
Eileen Klein, MPA
Karen Merritt, M.A.
Anna Rosas, M.Ed.

June 20, 2007

The Honorable Janet Napolitano
Governor
Office of the Governor
1700 West Washington
Phoenix, AZ 85007

The Honorable Tim Bee
President
Arizona State Senate
Senate Office Building
1700 West Washington
Phoenix, AZ 85007

The Honorable James Weiers
Speaker of the House of Representatives
Arizona House of Representatives
1700 West Washington
Phoenix, AZ 85007

Dr. Karen Nicodemus
President
Arizona State Board of Education
1535 West Jefferson, Bin 11
Phoenix, AZ 85007

Dear Governor Napolitano, President Bee, Speaker Weiers, and Dr. Nicodemus,

On behalf of The Arizona English Language Learners Task Force, I am respectfully submitting the draft Structured English Immersion (SEI) Models.

A.R.S. 15-756.01 (F) states "The Research Based Models of Structured English Immersion shall be submitted by the Task Force to the President of the Senate, the Speaker of the House of Representatives, the Governor, and the State Board of Education."

The Honorable Janet Napolitano
The Honorable Tim Bee
The Honorable James Weiers
Dr. Karen Nicodemus
June 20, 2007
Page 2

On June 14, the Task Force voted to submit the draft SEI Models to the Governor, the President of the Senate, the Speaker of the House of Representatives, the State Board of Education and to submit the Models to the Joint Legislative Budget Committee for review.

Laws 2006, Chapter 4 created the Arizona English Language Learners Task Force. Since the first meeting on the effective date of September 21, 2006, the Task Force has met in open session 22 times. Items for presentation and discussion have included:

• ELL/SEI programs and practitioners from around Arizona
• Experts from Arizona Universities
• National ELL/SEI experts
• ELL/SEI program components
• Discussion of model parameters based on the law
• Discussion of draft models components and supporting research
• Practitioners utilizing a 4-hour model of English Language Development

The Task Force model development process began with a review and analysis of the policies established in the law. The next step was to discuss and derive a series of basic principles that are inherent in the policy, with an understanding of the intent of the policy and assumptions about learning.

The next step was development of the structure of the models including discussions of exit and entry from the SEI English Language Development program, student groupings, the allocation of time on task, and the goals and objectives of teaching. The final element of the model development was discussion of what happens in the classroom including the use of language, instructional methods, measuring progress, and teaching skills and knowledge.

Now that draft models are complete, they are subject to the 30 day review process prescribed in 15-756.01 (F). Once the models have been adopted, the Task Force will be working with the Arizona Department of Education and the Office of the Auditor General to establish budget request forms. These forms are for the use of school districts and charter holders to apply for funding from the Arizona structured English immersion fund.
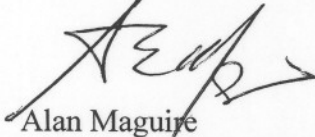
Per 15-756.01 (G), the Task Force will review research based models of Structured English immersion annually and delete, add or modify the existing models.

Arizona ELL Task Force meeting agendas and minutes are available at http://www.ade.az.gov/ELLTaskForce/.

The Honorable Janet Napolitano
The Honorable Tim Bee
The Honorable James Weiers
Dr. Karen Nicodemus
June 20, 2007
Page 3

An archive of Task Force meeting videos, beginning March 14, 2007, is available at http://azleg.granicus.com/ViewPublisher.php?view_id=3.

Sincerely,

Alan Maguire
Chairman, Arizona English Language Learners Task Force

cc: The Honorable Thayer Verschoor
        The Honorable Marsha Arzberger
        The Honorable Tom Boone
        The Honorable Phil Lopes

Structured English Immersion Models
of the English Language Learner Task Force

Authority

Effective September 21, 2006, under the authority of Laws 2006, Chapter 4, the Arizona English Language Learners (ELL) Task Force was established. The ELL Task Force was charged with developing and adopting research based models of structured English immersion (SEI) programs to be used in school districts and charter schools in Arizona. Arizona Revised Statutes (A.R.S.). §15-756.01, requires that the models include a minimum of four hours per day of English language development (ELD). Full text of the law regarding the responsibilities of the Task Force and the development of the SEI models is located in Title 15, Chapter 7, Article 3.1. ENGLISH LANGUAGE EDUCATION FOR CHILDREN IN PUBLIC SCHOOLS, §§ 15-751 through 15-757, Arizona Revised Statutes.

Definitions

For Structured English Immersion Models,

"AZELLA" means Arizona English Language Learner Assessment. The AZELLA is used to determine proficiency of Arizona K-12 students whose primary home language is other than English. AZELLA test results include a composite performance level score, which is a composite of all of the subtest scores, and also separate subtest scores, i.e., Listening, Speaking, Reading, and Total Writing (Writing Conventions and Writing combined). The AZELLA also includes an oral language score, which combines listening and speaking subtest scores, and a comprehension score, which combines listening and reading subtest scores. Sub-level scores for grouping purposes are Oral Language, Reading, and Writing. (A.R.S. §15-756.B)

"ELD" means English language development, the teaching of English language skills to students who are in the process of learning English. It is distinguished from other types of instruction, e.g., math, science, or social science, in that the content of ELD emphasizes the English language itself. ELD instruction focuses on phonology (pronunciation – the sound system of a language), morphology (the internal structure and forms of words), syntax (English word order rules), lexicon (vocabulary), and semantics (how to use English in different situations and contexts).

"Hour" (for purpose of 4 hours of ELD) means a normal classroom period structured to facilitate class scheduling on an hourly cycle, such as 55 minutes of class time and 5 minutes of transit time.

"Discrete Skills Inventory" means the specific teaching/learning objectives derived from the Arizona K-12 English Language Learner Proficiency Standards approved by the Arizona State Board of Education (SBE), January 26, 2004, and refined as needed to remain synchronized with the Arizona K-12 Academic English Language Arts Standards.

1 *"English Language Learners"* mean K-12 PHLOTE students who do not obtain a composite "proficient"
2 score on the AZELLA regardless of their tenure as English Language Learners.

3 *"PHLOTE"* means primary home language other than English and is determined by a home language
4 survey and on the enrollment form completed by parents at the beginning of the school year. PHLOTE
5 students are administered the AZELLA to determine the level of their English proficiency and their
6 correct placement in classes. (A.R.S. §15-756.A)

7 *"Proficiency Level"* means the level of English language proficiency of a PHLOTE student), as
8 determined by the AZELLA. The AZELLA proficiency levels are: (1) Pre-emergent; (2) Emergent; (3)
9 Basic; (4) Intermediate; and, (5) Proficient. A PHLOTE student whose composite AZELLA score is
10 Proficient is not placed in an SEI Classroom.

11 *"Structured English Immersion Models"* means the models described herein. (A.R.S. § 15-756.01)

12 *"Structured English Immersion Classroom"* means a classroom in which all of the students are limited
13 English proficient as determined by composite AZELLA scores of Pre-emergent, Emergent, Basic, or
14 Intermediate. The purpose of the classroom is to provide four hours of daily ELD instruction, as
15 described in the definition of *"ELD"* in this section, in the manner prescribed herein.

16 *"Structured English Immersion Program"* means an intensive English-language teaching program for
17 non- proficient English speakers, as designated by the AZELLA, designed to accelerate the learning of
18 the English language intended to comply with provisions of Title 15, Chapter 7, Article 3.1, A.R.S. This
19 program provides only ELD, as described in the definition of *"ELD"* in this section.

20

21 Structured English Immersion Model Components

22 All SEI models are research-based and include three major components: policy, structure, and classroom
23 practices. These components are uniform in all SEI models because they reflect legal requirements
24 established in state law. However, application of the structure and classroom practices components
25 results in various SEI classroom configurations because of "the size of the school, the location of the
26 school, the grade levels at the school, the number of English language learners and the percentage of
27 English language learners." (A.R.S. §15-756.01.C.)

28

29 1. Policy
30 Arizona law requires schools to teach English. (A.R.S. §15-752. English language education)

31 Arizona law requires materials and instruction to be in English. (A.R.S. §15-751. Definitions, 2 and 5)

32 Arizona law requires English language learners to be grouped together in a structured English immersion
33 setting. (A.R.S. §15-751. Definitions, 5)

34 The goal set forth in Arizona law is for ELLs to become fluent English proficient in a year. (A.R.S. §15-
35 752. English language education)

1   Arizona law requires a minimum of four hours per day of English language development during the first
2   year a pupil is classified as an ELL. (A.R.S. §15.756.01 Arizona English language learners task force;
3   research based models of structured English immersion for English language learners; budget requests;
4   definitions)

5   Arizona state law requires cost efficient, research based models that meet all state and federal laws.
6   (A.R.S. §15-756.01 Arizona English language learners task force; research based models of structured
7   English immersion for English language learners; budget requests; definitions, D)

8

9   2. Structure
10 The structure of the SEI models consists of multiple elements: SEI Classroom content; SEI Classroom
11 program entry and exit; student grouping for SEI Classrooms, including grouping process and class size
12 standards; scheduling and time allocations; and teacher qualification requirements. This structure is
13 uniform for all SEI models. The application of the grouping process will yield different classroom
14 configurations based on the individual school's number of ELLs, their proficiency levels, and their grade
15 levels.

16 *Structured English Immersion Classroom Content*
17 The Structured English Immersion (SEI) Classroom content is a minimum of four hours daily of English
18 language development (ELD). ELD is a type of instruction that has as its orientation the teaching of
19 English language skills to students who are in the process of learning English. It is distinguished from
20 other types of instruction, e.g., math, science, or social science, in that the content of ELD emphasizes the
21 English language itself. ELD instruction focuses on phonology (pronunciation - the sound system of a
22 language), morphology (the internal structure and forms of words), syntax (English word order rules),
23 lexicon (vocabulary), and semantics (how to use English in different situations and contexts). While there
24 are some obvious connections to English language arts instruction, ELD is foundational for English
25 language acquisition (ELA) work, since listening, speaking, reading, and writing tasks conducted in
26 English are considerably more difficult in the absence of knowledge about how English operates.
27 Reading and writing, aligned to the Arizona K-12 English Language Learner Proficiency Standards, are
28 also considered content in SEI Classrooms.

29 *SEI Classroom Entry and Exit*
30 SEI Classroom entry and exit is determined solely by AZELLA score. Students whose AZELLA
31 composite performance level scores are Pre-emergent, Emergent, Basic, or Intermediate shall be grouped
32 in SEI Classrooms. New ELLs, in the first year of education in an Arizona school, shall take the
33 AZELLA at least twice during the first school year, once at the beginning of the year, or upon initial entry
34 to school, and once at the end of the school year for purposes of measuring progress. Continuing ELLs
35 shall be reassessed with the AZELLA once per year, at the end of each school year. English language
36 learners shall be given the opportunity to take the AZELLA at a mid-point of the academic year for the
37 purpose of measuring progress toward English language proficiency. No student shall take the AZELLA
38 more than three times in a school year. On-going alternative performance-based assessments related to
39 the Arizona K-12 English Language Learner Proficiency Standards and the Discrete Skills Inventory
40 should be utilized to guide instruction and to determine the opportunity to administer the AZELLA for
41 purposes of exiting the SEI Classroom. (A.R.S. §§ 15-756.B, 15-756.05.A)

1 ***Student Grouping for SEI Classrooms***
2 The primary determinant of the appropriate student grouping for SEI Classrooms is the English
3 proficiency level of the students. The proficiency levels and grade levels of the ELLs must be used in
4 order to determine appropriate student placement. The configurations are similar, but not identical, for all
5 grade levels.

6 **Elementary Schools**
7 In elementary schools, generally those grades in which students receive most of their academic instruction
8 in a single class as a single group, if there are enough ELLs by proficiency level within a specific grade,
9 overall proficiency level within grade is used as the method for student grouping. The AZELLA
10 composite performance level score determines the overall proficiency level. If there are not enough ELLs
11 by proficiency level within a grade, then proficiency levels may be banded together within a grade. If
12 there are not enough ELLs by proficiency level band within a grade, then ELLs from different grade
13 levels may be combined into an SEI Classroom. Note that, regardless of SEI Classroom configuration,
14 Pre-emergent and Emergent ELLs shall be grouped together rather than separately. Also note that
15 regardless of SEI Classroom configuration, kindergarten students shall be grouped separately from
16 students in other grades.

17   **Elementary School Student Grouping Prioritization**
18   A.   Overall Proficiency Level within Grade
19   B.   Overall Proficiency Level Band within Grade
20   C.   Overall Proficiency Level Band within Grade Band
21

22 **Middle Grades and High Schools**
23 In middle grades and high schools, generally those grades in which students receive academic instruction
24 in different classrooms in different groups throughout the day, if there are enough ELLs by proficiency
25 sub-level scores (i.e., reading score, total writing score, and oral language score), within a specific grade,
26 the sub-level proficiency level within grade is used as the method for student grouping. If there are not
27 enough ELLs by proficiency sub-level within a grade, then grades may be banded together within a
28 proficiency sub-level. If there are not enough ELLs by proficiency sub-level within a grade, then overall
29 proficiency level may be used within a grade. If there are not enough ELLs within an overall proficiency
30 level, then multiple grades may be combined into an SEI Classroom. If there are not enough ELLs within
31 an overall proficiency level and within a grade band, then multiple proficiencies and multiple grade levels
32 can be combined into an SEI Classroom. Note that, regardless of SEI Classroom configuration, Pre-
33 emergent and Emergent ELLs shall be grouped together rather than discretely.

34   **Middle Grades and High School Student Grouping Prioritization**
35   A.   Proficiency Sub-level within Grade
36   B.   Proficiency Sub-level within Grade Band
37   C.   Overall Proficiency Level within Grade
38   D.   Overall Proficiency Level within Grade Band
39   E.   Overall Proficiency Level Band within Grade Band

40

1 **Class Size Standards**
2 Target and maximum class sizes are based on the proficiency level of the ELL student provided that the
3 class size shall not exceed the class size for non-ELLs in the school district. The target class size for Pre-
4 emergent and Emergent is 20; the maximum is 23. The target class size for Basic and Intermediate is 25;
5 the maximum is 28.

6 **Grouping Process**
7 Students are grouped into classes based on Class Size Standards using the Elementary or the Middle
8 Grades and High School Student Grouping Prioritization method. In the event there are insufficient
9 students to assemble a class at the first given student grouping priority, the next student grouping priority
10 shall be used. In the event that there are insufficient ELLs based on the class size standards in the school
11 for any of the student groupings to work, then several other options are available. The students may be
12 grouped into a single classroom for ELD instruction by an SEI-funded district-level ELD teacher for three
13 hours a day with a fourth hour of ELD Reading or the students may be transported and grouped with other
14 ELL students at another elementary, middle grade, or high school in the district for ELD instruction.
15 Students at a charter school or single school district may be grouped into a single classroom for ELD
16 instruction by an SEI-funded ELD teacher for four hours a day.

17 **Scheduling and Time Allocations**
18 The scheduling and time allocations are somewhat different for Elementary School than for Middle
19 Grades and High School. However, at all grade levels, the SEI Classroom must have a minimum of four
20 hours of English language development daily which is time-allocated consistent with the Arizona K-12
21 English Language Learner Proficiency Standards and the related Discrete Skills Inventory (DSI).

22 **Elementary School Scheduling and Time Allocations**
23 Each student who qualifies for SEI program placement receives four hours of daily English language
24 development instruction that is governed by certain time allocations and skill teaching and learning
25 objectives. Each of these discrete sections of ELD is based on specific categories of language instruction
26 based on the skills identified by the ELL Proficiency Standards and further delineated in detail by the
27 Discrete Skills Inventory (DSI). The discrete time blocks do not have to be sequential during the day, but
28 they must sum to four hours of ELD instruction.

29 The English language skills categories are the same for all students in SEI Classrooms, but the time
30 allocations vary by the composite AZELLA proficiency level of the student. Time allocations for each
31 ELD instructional time block may vary by up to ten percent (10%) as long as the total daily English
32 language development instruction equals four hours.

33 Students at composite AZELLA levels Pre-emergent and Emergent receive four hours of instruction of
34 ELD that are divided into the following specific areas: oral English and conversation instruction,
35 45minutes; grammar instruction, 60 minutes; reading instruction, 60 minutes; vocabulary instruction, 60
36 minutes; and, pre-writing instruction, 15 minutes (Total: four hours).

37 Students at composite AZELLA level Basic receive four hours of instruction of ELD that are divided into
38 the following specific areas: oral English and conversation instruction, 30 minutes; grammar instruction,
39 60 minutes; reading instruction, 60 minutes; vocabulary instruction, 60 minutes; and, writing instruction,
40 30 minutes (Total: four hours).

1 Students at composite AZELLA level Intermediate receive four hours of instruction of ELD that are
2 divided into the following specific areas: oral English and conversation instruction, 15 minutes; grammar
3 instruction, 60 minutes; reading instruction, 60 minutes; vocabulary instruction, 60 minutes; and, writing
4 instruction, 45 minutes (Total: four hours).

5 ## Middle Grades and High School Scheduling and Time Allocations
6 Each student who qualifies for SEI program placement receives four hours of daily English language
7 development instruction. This instruction is divided into four discrete courses, each bearing a specific
8 title and focus. The subject designation and subject matter of each of the four courses is based on specific
9 English language skills categories that derive from the ELL Proficiency Standards and that are further
10 delineated by the Discrete Skills Inventory (DSI). The four ELD courses do not have to be sequential
11 during the school day. For schools with class periods other than one hour in duration, discrete ELD
12 classes totaling at least four hours daily shall be established based on the course subject matter categories
13 specified below. ELLs are to receive four hours of ELD daily or 20 hours a week of ELD. Schools must
14 ensure that ELLs receive 20 hours of ELD a week, 5 hours in each of the ELD subject areas.

15 Students at AZELLA level Pre-emergent and Emergent shall be grouped together and receive daily a one
16 hour class of ELD titled "Conversational English and Academic Vocabulary," a one hour class of ELD
17 titled "English Reading," a one hour class of ELD titled "English Writing" and a one hour class of ELD
18 titled "English Grammar."

19 Students at AZELLA level Basic shall receive daily a one hour class of ELD titled "Conversational
20 English and Academic Vocabulary," a one hour class of ELD titled "English Reading," a one hour class
21 of ELD titled "English Writing" and a one hour class of ELD titled "English Grammar."

22 Students at AZELLA level Intermediate shall receive daily two hours of English Language Arts, as
23 aligned to the Arizona Language Arts Academic Standards (this class is within the SEI Program), a one-
24 hour class of ELD titled "Academic English Reading," and a one hour class of ELD titled "Academic
25 English Writing and Grammar."

26

27 ### Teacher Qualification Requirements

28 ## Elementary School Teacher Qualifications
29 All teachers in SEI Classrooms must have their Standard Elementary Teaching Certificates as defined in
30 Arizona State Board of Education Rules, R7-2-608. Elementary Teaching Certificates. They must be
31 Highly Qualified as defined by the federal No Child Left Behind Act of 2001. Additionally, they must
32 have a Structured English Immersion endorsement (Provisional endorsement or endorsement) (SBE
33 Rules, R7-2-613.J), an English as a Second Language endorsement (Provisional endorsement or
34 endorsement) (SBE Rules, R7-2-613.I), or a Bilingual endorsement (Provisional endorsement or
35 endorsement) (SBE Rules, R7-2-613.H).

36 ## Middle Grades and High School Teacher Qualifications
37 All teachers in SEI Classrooms must have their Standard Secondary Teaching Certificates as defined in
38 Arizona State Board of Education Rules, R7-2-609. Secondary Teaching Certificates. They must be
39 Highly Qualified in English as defined by the federal No Child Left Behind Act of 2001, which means

1   that they must not only have a bachelor's degree and full state certification or licensure, but they also must
2   demonstrate that they know each subject they teach as provided in SBE Rules R7-2-609. Additionally,
3   they must have a Structured English Immersion endorsement (Provisional endorsement or endorsement)
4   (SBE Rules, R7-2-613.J), an English as a Second Language endorsement (Provisional endorsement or
5   endorsement) (SBE Rules, R7-2-613.I), or a Bilingual endorsement (Provisional endorsement or
6   endorsement) (SBE Rules, R7-2-613.H).

7

8 **3. Classroom Practices**
9   Classroom practices include sections on SEI Classroom Language Use policies, SEI Classroom
10   Objective, SEI Classroom Materials and Testing, SEI Classroom Instructional Methods, Assessment, and
11   SEI Teacher Training required to ensure teachers have the skills and knowledge needed to teach in an SEI
12   Classroom.

13 *SEI Classroom Language Use*
14   All SEI classes shall be taught in English, as provided in A.R.S. §15-751. Definitions, 5.

15 *SEI Classroom Objective*
16   The objective of the SEI Classroom is to teach one or more specific identified skills within the Discrete
17   Skills Inventory appropriate for the English proficiency level(s) of students in the class.

18 *SEI Classroom Materials and Testing*
19   Class textbooks, materials, and assessments used in an SEI Classroom must be aligned to the Arizona K-
20   12 English Language Learner Proficiency Standards and the Discrete Skills Inventory. Each district
21   superintendent or charter operator shall sign an attestation that these materials are properly aligned, which
22   will be verified by the Arizona Department of Education when conducting monitoring visits.

23

24 *SEI Classroom Instructional Methods*
25   All instructional methods in SEI Classrooms will conform to teaching objectives outlined by the Arizona
26   K-12 English Language Learner Proficiency Standards and specified in the Discrete Skills Inventory.

27 *Assessment*
28   All assessments in SEI Classrooms will conform to teaching objectives outlined by the Arizona K-12
29   English Language Learner Proficiency Standards and specified in the Discrete Skills Inventory.

30 *SEI Teacher Training*
31   Three sets of training are essential for successful implementation of the SEI Models: Implementation
32   Training, Discrete Skills Inventory Training, and Discrete Skills Inventory Teaching Methods Training.
33   All SEI Classroom teachers shall receive all three trainings. Principals, District Superintendents,
34   Counselors, and school and district personnel responsible for ELL programs also shall receive the
35   Implementation Training.

36 Implementation Training

1   SEI Classroom teachers, Principals, District Superintendents, Counselors, and any school and district

2   personnel responsible for English Language Learner Programs shall receive Implementation Training.

3   This training provides background information on the policy, principles, structures, and classroom

4   practices within the SEI Models. School personnel who prepare student schedules shall receive additional

5   implementation training on scheduling.

6   **Discrete Skills Inventory Training**

7   All SEI Classroom teachers and instructional personnel responsible for instructional supervision shall

8   receive training on the content of the Discrete Skills Inventory.

9   **Discrete Skills Inventory Teaching Methods Training**

10   SEI Classroom teachers and instructional personnel responsible for instructional supervision shall receive

11   training on the methods and strategies to be used in teaching the content of the Discrete Skills Inventory.

12

13

14